

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Sanilac County	County Sanilac
Fiscal Year End 12/31/05	Opinion Date 5/25/06	Date Audit Report Submitted to State 6/30/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

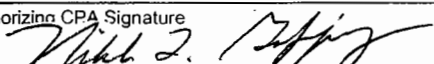
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE 2 ☒ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit reports will be submitted separately at a later date.	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number 248.844.2550	
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Zip 48307			
Authorizing CPA Signature 		Printed Name Michael T. Gaffney, CPA	License Number 16288

Sanilac County, Michigan

FINANCIAL STATEMENTS

December 31, 2005

Sanilac County, Michigan

December 31, 2005

BOARD OF COMMISSIONERS

Norton Schramm	Chairperson
Donald Hunt	Vice-Chairperson
Gary Russell	Commissioner
James Ruby	Commissioner
William Walters	Commissioner
Donald Hunt	Commissioner
Judy Vincent	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

John Males	Administrator
Kathy Dorman	Treasurer
Linda Kozfkay	Clerk
Michele VanNorman	Register of Deeds
Jim Bowerman	Drain Commissioner
Jim Young	Prosecuting Attorney
Virgil Strickler	Sheriff

Sanilac County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Sanilac County
Sandusky, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sanilac County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2006 on our consideration of Sanilac County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control and financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanilac County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 25, 2006

County of Sanilac
Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Sanilac County's (the County's) financial performance and position, providing an overview of the activities for the year ended December 31, 2005. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page 1 of this report, and with the County's financial statements, which follow this section. 2005 represents the third year the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Certain limited financial information is presented with respect to the Sanilac County Road Commission in the Management Discussion and Analysis. The reader should refer to the Road Commission's separately issued financial statements for more detailed information.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were \$13,411,421 (excluding component units). Of this amount, \$5,804,152 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors. The County's total net assets increased by \$1,676,112 (excluding component units) from the prior year.
- Governmental activities net assets were \$6,880,401, a net increase of \$1,502,332 from the prior year.
- Business-type activity net assets were \$6,531,020, a net increase of \$173,780 from the prior year.
- Component Unit net assets were \$61,135,548, a net increase of \$780,223 from the prior year.

Fund Level:

- At the close of the fiscal year, the County's governmental funds reported a combined ending fund balance of \$4,710,405, an increase of \$1,151,768 in comparison with the prior year. All but \$4,167,332 is reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$592,617 more in revenues and other financing sources than anticipated for the fiscal year. General Fund operations also expended \$371,354 less than appropriated.
- Overall, the General Fund balance increased by \$99,463 to \$1,088,129 with \$963,637 undesignated or available for general purposes.

Capital and Long-term Debt Activities:

- The primary government issued \$110,334 in new capital leases for the fiscal year.
- The total long-term debt for the primary government was \$4,519,827 with a net reduction of \$787,557 from the prior year.
- The Board of Public Works issued \$262,737 in new long-term bonds.
- The Drainage Districts issued \$185,000 in new long-term notes.
- The total long-term debt for the component units (Drainage Districts, EDC and Board of Public Works only) was \$13,450,930 with a net reduction of \$955,320 from the prior year.
- The long-term debt for the Road Commission was \$1,676,985, with a net increase of \$50,935 from the prior year.
- The County remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$327,578 and included such purchases as five vehicles for the Sheriff activities, three vehicles for the Motor Pool activities, three vehicles for the County Treasurer, Veterans Affairs, and Drain Maintenance activities, and a boat with trailer for the Emergency Management Services activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the County consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and proprietary funds and other financial data.

Government-wide Financial Statements (Reporting the County as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 14) presents all of the County's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 15) presents information showing how the County's net assets changed during 2005. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other countywide elected official operations are reported under these activities. This also includes the special revenue funds such as the Health Department and Sheriff Department Funds.
- **Business-type Activities** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The Sanilac County Medical Care Facility Fund and the Delinquent Tax Funds are examples of these activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Four organizations are included as component units: the Sanilac County Board of Public Works, the Sanilac County Road Commission, the Sanilac County Economic Development Corporation, and the Drainage Districts.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period, expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 18 and 21 present reconciliations between the two statement types.

County of Sanilac

Management's Discussion and Analysis

The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the County's Major Funds)

The fund financial statements, which begin on page 16, provide information on the County's significant (major) funds, and aggregated non-major funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Health Department and Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include certain special revenue funds (e.g., Sheriff Department Fund), the internal services funds (e.g., Data Processing Fund, Health Insurance Fund) as well as enterprise funds (e.g., Medical Care Facility and Delinquent Tax Funds).

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Sanilac County include the General Fund, the Health Department Fund, the Road Millage Fund, the Sheriff Department Fund, the Revenue Sharing Reserve Fund, the Medical Care Facility Fund, the Delinquent Tax Umbrella Fund, and the 2004 Delinquent Tax Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its non-major funds in the other supplementary information section of this report.

The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

County of Sanilac

Management's Discussion and Analysis

- **Governmental Funds** - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Medical Care Facility Fund. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Data Processing Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- **Fiduciary Funds** - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Plan Net Assets on pages 28 and 29. These funds, which include trust and agency funds and the Pension Trust Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 35 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As previously stated, Sanilac County's combined net assets were \$13,411,421 at the end of this fiscal year's operations. The net assets of the governmental activities were \$6,880,401; the business type activities were \$6,531,020.

County of Sanilac
Management's Discussion and Analysis

Sanilac County Net Assets FY ended 2004 and ended FY 2005

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current Assets	\$ 12,605,661	\$ 13,496,043	\$ 5,497,960	\$ 5,230,897	\$ 18,103,621	\$ 18,726,940
Noncurrent Assets	<u>5,868,948</u>	<u>5,746,008</u>	<u>2,060,516</u>	<u>1,681,161</u>	<u>7,929,464</u>	<u>7,427,169</u>
Total Assets	<u>\$ 18,474,609</u>	<u>\$ 19,242,051</u>	<u>\$ 7,558,476</u>	<u>\$ 6,912,058</u>	<u>\$ 26,033,085</u>	<u>\$ 26,154,109</u>
Current Liabilities	\$ 9,174,318	\$ 8,738,492	\$ 1,073,265	\$ 275,737	\$ 10,247,583	\$ 8,570,945
Noncurrent Liabilities	<u>3,922,222</u>	<u>3,623,158</u>	<u>127,970</u>	<u>105,301</u>	<u>4,050,192</u>	<u>3,728,459</u>
Total Liabilities	<u>\$ 13,096,540</u>	<u>\$ 12,361,650</u>	<u>\$ 1,201,235</u>	<u>\$ 381,033</u>	<u>\$ 14,297,775</u>	<u>\$ 12,299,404</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 2,506,604	\$ 2,513,270	\$ 1,841,990	\$ 1,652,197	\$ 4,348,594	\$ 4,165,467
Restricted	2,418,591	3,441,802	372,776	-	2,791,567	3,441,802
Unrestricted	<u>452,674</u>	<u>925,329</u>	<u>4,142,475</u>	<u>4,878,823</u>	<u>4,595,149</u>	<u>5,804,152</u>
Total Net Assets	<u>\$ 5,378,069</u>	<u>\$ 6,880,401</u>	<u>\$ 6,357,241</u>	<u>\$ 6,531,020</u>	<u>\$ 11,735,310</u>	<u>\$ 13,411,421</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's net assets changed during the fiscal year:

Sanilac County's Changes in Net Assets for the Fiscal Year Ended December 31, 2004 and 2005

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues						
Charges for Services	\$ 5,275,719	\$ 4,724,547	\$ 6,714,427	\$ 7,138,736	\$ 11,990,146	\$ 11,863,283
Grants and Contributions	4,058,596	5,164,343	-	-	4,058,596	5,163,343
General Revenues						
Property Taxes	10,165,248	10,802,246	-	-	10,165,248	10,802,246
State Shared Revenue	264,798	-	-	-	264,598	-
Investment Earnings	92,106	180,114	40,831	89,139	132,937	269,253
Miscellaneous	<u>418,671</u>	<u>277,868</u>	<u>308,851</u>	<u>266,246</u>	<u>727,522</u>	<u>544,114</u>
Total Revenues	20,275,138	21,149,118	7,064,109	7,494,121	27,339,247	28,643,239
Expenses						
Legislative	98,592	89,416	-	-	98,592	89,416
General government	1,966,849	1,779,918	87,145	25,413	2,053,994	1,805,331
Public safety	5,489,977	4,834,601	-	-	5,489,977	4,834,601
Public works	2,892,497	2,522,675	-	-	2,892,497	2,522,675
Health and Welfare	5,485,385	5,247,277	6,779,129	7,003,416	12,264,514	12,250,693
Judicial	1,831,846	1,497,046	-	-	1,831,846	1,497,046
Recreation and cultural	756,204	659,719	-	-	756,204	659,719
Other	-	2,766,782	-	69,405	-	2,836,187
Unallocated depreciation	283,722	307,591	-	-	283,722	307,591
Interest on long-term debt	<u>145,871</u>	<u>135,938</u>	<u>-</u>	<u>-</u>	<u>145,871</u>	<u>135,938</u>
Total Expenses	<u>19,040,943</u>	<u>19,840,963</u>	<u>6,866,274</u>	<u>7,098,234</u>	<u>25,907,217</u>	<u>26,939,197</u>
Excess (deficiency)	1,234,195	1,308,155	195,835	395,887	1,432,030	1,704,042
Transfers	<u>61,650</u>	<u>194,177</u>	<u>(38,526)</u>	<u>(222,107)</u>	<u>23,124</u>	<u>(27,930)</u>
Increase in Net Assets	1,295,845	1,502,332	159,309	173,780	1,455,154	1,676,112
Net Assets - Beginning	4,095,751	5,378,069	6,197,931	6,357,240	10,293,683	11,735,309
Prior Period Adjustments	<u>(13,527)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,527)</u>	<u>-</u>
Net Assets - Ending	<u>\$ 5,378,069</u>	<u>\$ 6,880,401</u>	<u>\$ 6,357,240</u>	<u>\$ 6,531,020</u>	<u>\$ 11,735,310</u>	<u>\$ 13,411,421</u>

County of Sanilac Management's Discussion and Analysis

Governmental Activities:

The result of 2005 governmental activity was an increase of \$1,502,332 in net assets to \$6,880,401. Of the total governmental activities' net assets, \$2,513,270 is invested in capital assets less related debt, \$3,441,802 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government. The balance of \$925,329 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were property taxes at 51% (increase of 1% from the prior year), grants and contributions at 24% (increase of 4% from prior year), and charges for services at 22% (decrease of 4% from the prior year). The County levied nine property tax millages for the 2004 tax levy which is recognized as revenue in 2005, one being for general government operations at 4.1026 mills, which is not assigned to any particular activity, one for Council on Aging at .2 mills, one for Ambulance services at .192 mills, one for roads at 1.9213 mills, one for drug law enforcement at .4885 mills, one for parks at .1954 mills, one for county library services at .2 mills, one for veterans services at .125 mills, and one Medical Care Facility maintenance of effort for .2 mills. Grants and contributions are the second largest source of governmental activity revenue. Charges for services, which reimburse the County for specific activities, are the third largest source of governmental activity revenue. Examples include District Court fees and services, Clerk's Office filing fees, Register of Deeds filing fees, and inmate boarding charges.

Expenses:

Health and Welfare is the largest governmental activity, expending \$5.25 million (a decrease of \$238,108 or 4.3%). Expenditures in this area include primarily Health Department, Child Care, Veterans, Transportation and Family Independence Agency operations. Public Safety is the second largest governmental activity, expending almost \$4.84 million (a decrease of \$655,376 or 4.9%) of the \$19.84 million governmental activities total and includes offices such as the Sheriff Department and Jail operations, Central Dispatch and Construction and Land Use activities.

Business-type Activities:

Net assets in business-type activities increased by \$173,780 during 2005. The vast majority of this increase was a result of excess revenues generated in the Delinquent Tax Funds, netted against a loss generated in the Medical Care Facility Fund. Of the total business-type activities net assets, \$1,652,197 is invested in capital assets less related debt. The balance of \$4,878,823 of net assets in the business type activities is reported as unrestricted, having no legal commitment. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be designated through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NON MAJOR FUNDS

As the County completed 2005, its governmental funds reported *combined* fund balances of \$4,710,405. This is a net increase of \$1,151,768. The net changes are summarized in the following chart:

	General Fund	Road Millage	Health Department	Sheriff	Revenue Sharing Reserve	Other Non-Major Governmental Funds
Fund Balance 12/31/05	\$ 1,088,129	\$ -	\$ 15,986	\$ 24,901	\$ 1,885,109	\$ 1,696,280
Fund Balance 12/31/04	\$ 988,666	\$ 13,231	\$ 54,076	\$ 13,857	\$ 1,080,351	\$ 1,408,456
Net Change	\$ 99,463	\$ (13,231)	\$ (38,090)	\$ 11,044	\$ 804,758	\$ 287,824

County of Sanilac

Management's Discussion and Analysis

The General Fund balance increased by \$99,463; this is partially due to the taxes and charges for services revenue being more than budgeted by approximately \$135,000, and also reductions in departmental expenditures resulting in many departments being under budget. The Health Department Fund balance decreased by \$38,090 mainly due to certain expenditures exceeding budget. The Road Millage Fund decreased by \$13,231 from normal operations. The Sheriff Department Fund increased by \$11,044 mainly due to expenditures being less than budget. The Revenue Sharing Reserve Fund increased by \$804,758 due to recognizing one third of the County General Fund property tax levy, and transferring out the required amount to the General Fund to substitute for reductions in State Shared revenues. The combined other non-major funds increased by \$287,824 due mainly to excess revenues generated from the Revolving Loan, Register of Deeds - Automation, Central Dispatch, Domestic Violence Work, and Parks and Recreation activities.

General Fund:

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of December 31, 2005, the General Fund reported a fund balance of \$1,088,129. This amount is an increase of \$99,463 from the fund balance of \$988,666 reported as of December 31, 2004. Of the total fund balance, \$124,492 is reserved, designated or earmarked for specific purposes.

The General Fund 2005 revenues exceeded 2005 expenditures by \$4,547,696, however, the General Fund also supports the operations of other funds including the Sheriff Department, Central Dispatch, Health Department, Child Care, Friend of the Court, Law Library, and the ROD Automation Fund. The General Fund also supports the internal service fund activities with transfers made to the Workers Compensation Fund, Insurance Fund, Employee Health Care Fund, Data Processing Fund, Accumulated Benefits Fund, and Mail Department Fund, and also transfers funds to Building Authority funds for debt service requirements.

General Fund Budgetary Highlights:

Sanilac County's budget is a dynamic document. Although adopted in December (prior to the start of the year), the budget is frequently amended during the course of the year to reflect changing operational demands.

The County's General Fund revenue budget was increased by \$273,267 (2.7% above the original budget) during 2005. Actual General Fund revenue and other financing sources totaled \$11,050,706, \$592,617 more than the final amended budget. There were some variations in individual revenue accounts. Significantly, a portion of the variance totaling \$454,545 is due to year end recording of a MSHDA pass-through grant revenue that was not budgeted.

The County's expenditure budget was increased by \$605,419 (5.7% above the original budget) during 2005. Some of the more significant amendments were related to increase in the contingencies line item, and increase in anticipated transfer out to the Sheriff Fund.

Actual County expenditures for 2005 were \$371,354 below budget. This is due to several reasons, for which the most significant are listed below:

- \$614,564 in contingency funds not expended.
- \$454,545 more than budgeted for expenditures related to a pass-through grant that was not budgeted.
- Many departments' expenditures were under budget due to County cutbacks and general budget tightening.

County of Sanilac Management's Discussion and Analysis

Road Millage Fund:

The Road Millage Fund is used to collect a dedicated tax levy for road projects. These funds are then transferred to the Road Commission (Component Unit) to be used for various road projects. As of December 31, 2005, the Road Millage Fund reported a fund balance of \$0, a decrease of \$12,231 from the prior year.

Health Department Fund:

The Health Department Fund is used to report activities related to the various personal and environmental health services provided to County residents. Revenue is generated by Federal and State grant programs, charges for services, other local revenues and transfers from the General Fund. As of September 30, 2005, the Health Department Fund reported a fund balance of \$15,986, which is a decrease to fund balance of \$38,090 from the prior year. Of the total fund balance, \$33,339 is reserved for prepaid expenditures which leaves an undesignated/unreserved deficit of \$(17,353).

Sheriff Fund

The Sheriff Fund is used to report activities related to the Sheriff Department and jail operations. These activities are financed by user charges, Federal and State grants, and other local revenues and transfers from the General Fund. As of December 31, 2005, the Sheriff Fund reported a fund balance of \$24,901, which is an increase of \$11,044 from the prior year. Of the total fund balance, all but \$2,685 is undesignated/unreserved.

Revenue Sharing Reserve Fund

The Revenue Sharing Reserve Fund is used to account for a portion of the County General Fund property tax levy that has been set aside per State statute to offset reductions in State Revenue Sharing funds. Revenue is generated from County General Fund property taxes. As of December 31, 2005, the Revenue Sharing Reserve Fund reported a fund balance of \$1,885,109. The total fund balance is considered to be undesignated /unreserved.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2005, the County primary government had invested \$7,275,666, and \$58,964,105 for the component units, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$8,138,886 for the primary government, and \$35,930,859 for the component units. Depreciation charges for the fiscal year totaled \$644,174 for the primary government and \$4,030,072 for the component units.

	<u>Governmental Activities</u>		<u>Component Units Drains</u>		<u>Component Unit Road Commission</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land and improvements	\$ 274,297	\$ 274,297	\$ -	\$ -	\$ 66,903	\$ 66,903	\$ 341,200	\$ 341,200
Const. in progress	-	-	-	-	82,375	-	82,375	-
Buildings	10,664,463	10,669,816	-	-	429,111	429,111	11,093,574	11,098,927
Equipment	3,486,461	3,539,623	-	-	7,270,848	7,738,414	10,757,309	11,278,037
Infra-Bridges/Roads	-	-	-	-	58,997,237	62,164,852	58,997,237	62,164,852
Vehicles	936,048	930,816	-	-	-	-	936,048	930,816
Drains	-	-	24,160,134	24,440,234	-	-	24,160,134	24,440,234
Depletable assets	-	-	-	-	55,450	55,450	55,450	55,450
Accumulated depreciation	(7,773,670)	(8,138,886)	(9,397,118)	(10,211,790)	(25,375,727)	(25,719,069)	(42,546,575)	(44,069,745)
Capital assets, net	<u>\$ 7,588,399</u>	<u>\$ 7,275,666</u>	<u>\$ 14,763,016</u>	<u>\$ 14,228,444</u>	<u>\$ 41,526,197</u>	<u>\$ 44,735,661</u>	<u>\$ 63,877,612</u>	<u>\$ 66,239,771</u>

County of Sanilac
Management's Discussion and Analysis

Long-term Debt - As of December 31, 2005, the County had \$4,519,827 in bonds, notes and other outstanding obligations for the primary government. This level of net obligation is \$787,557 less than the obligation recorded as of December 31, 2004. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Board of Public Works and Drainage District component unit debt. The Drain Commission administers debt for various local drainage districts and water and sewer systems for local municipalities in Sanilac County. All drain debt is payable out of assessments against the drainage districts, and all Board of Public Works debt is payable from contractual agreements with local units of government.

Outstanding Debt as of December 31, 2005:

Primary Government	<u>Jan. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2005</u>
Governmental Activities				
Bonds Payable	\$ 3,230,000	\$ -	\$ 200,000	\$ 3,030,000
Pension liability	491,565	34,357	-	525,922
Capital leases	9,805	110,334	39,940	80,199
Accum. Vacation and sick	698,044	80,361	-	778,405
Business-type Activities				
Notes payable	750,000	-	750,000	-
Accum. Vacation and sick	<u>127,970</u>	<u>-</u>	<u>22,669</u>	<u>105,301</u>
Total Primary Government	5,307,384	225,052	1,012,609	4,519,827
Component Units				
Board of Public Works				
Water System Bonds	9,810,884	262,737	565,000	9,508,621
Drainage Districts				
Drain Bonds and Notes	4,493,383	185,000	838,057	3,840,326
Road Commission				
Capital leases	945,426	898,450	664,005	1,179,871
Accum. Vacation and sick	680,424	-	183,570	497,114
Economic Development Corp.				
Loan payable	<u>101,983</u>	<u>-</u>	<u>-</u>	<u>101,983</u>
Total Component Units	<u>16,032,300</u>	<u>1,346,187</u>	<u>2,250,572</u>	<u>15,127,915</u>
Total Reporting Entity	<u>\$21,339,684</u>	<u>\$1,571,239</u>	<u>\$3,263,181</u>	<u>\$ 19,647,742</u>
Debt Limit (10% of SEV)				\$187,752,856
Available Statutory Debt Limit				\$168,105,114

Activity for the Component Units (Drainage Districts) during 2004 included the issuance of \$185,000 in drainage district bonds and notes used to construct and/or improve various drainage projects.

A more detailed discussion of the County's long-term debt obligations is presented in Note G to the financial statements. The Road Commission's separately issued financial statements include details about their long-term debt.

County of Sanilac

Management's Discussion and Analysis

Limitations on Debt:

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2005 was \$1,877,528,556; therefore the County's debt limitation was \$187,752,856. The County remains well below its legal debt limit by over \$168 million.

SANILAC COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has been discontinued and may face additional cuts due to state budget problems.
- Other state and federal revenues and/or grants are being reduced.
- Property tax revenue is not rising as rapidly as in past years.
- Investment earnings are at historically low levels.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2006. A usage of \$146,817 of the County's fund balance was included to balance the General Fund Budget. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Sanilac County Treasurer's Office at (810) 648-2127 or Sanilac County Administration Office at (810) 648-2933.

BASIC FINANCIAL STATEMENTS

Sanilac County, Michigan
STATEMENT OF NET ASSETS
December 31, 2005

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,222,128	\$ 2,666,342	\$ 4,888,470	\$ 3,997,490
Investments	1,475,192	-	1,475,192	-
Receivables	9,421,778	2,523,243	11,945,021	4,000,384
Due from other funds	106,077	-	106,077	-
Due from primary government	-	-	-0-	200,934
Inventories	12,340	9,732	22,072	231,617
Prepaid expenses	258,528	31,580	290,108	125,551
Current portion of lease receivable	-	-	-0-	565,000
Total current assets	13,496,043	5,230,897	18,726,940	9,120,976
Non-current assets				
Restricted cash and cash equivalents	-	28,964	28,964	-
Lease receivable	-	-	-0-	8,943,621
Advance to component unit	122,539	-	122,539	-
Advance to other funds	-	-	-0-	-
Capital assets, net	5,623,469	1,652,197	7,275,666	58,964,105
Total non-current assets	5,746,008	1,681,161	7,427,169	67,907,726
TOTAL ASSETS	19,242,051	6,912,058	26,154,109	77,028,702
LIABILITIES				
Current liabilities				
Accounts payable	344,279	99,005		214,060
Other accrued liabilities	909,007	113,071	1,022,078	71,480
Due to other funds	-	34,469	34,469	-
Due to component units	200,934	-	200,934	-
Due to other governmental units	48,000	228	48,228	108
Deferred revenue	6,970,826	28,964	6,999,790	161,095
Current portion of long-term debt	265,446	-	265,446	-
Total current liabilities	8,738,492	275,737	8,570,945	446,743
Non-current liabilities				
Advances from primary government	-	-	-0-	122,539
Advance from other governments	-	-	-0-	190,957
Advance from other funds	-	-	-0-	-
Compensated absences	778,405	105,301	883,706	497,114
Capital lease payable	29,753	-	29,753	1,179,871
Non-current portion of long-term debt	2,815,000	-	2,815,000	13,455,930
Total non-current liabilities	3,623,158	105,301	3,728,459	15,446,411
TOTAL LIABILITIES	12,361,650	381,038	12,299,404	15,893,154
NET ASSETS				
Invested in capital assets, net of related debt	2,513,270	1,652,197	4,165,467	53,943,908
Restricted for:				
Capital improvements	24,661	-	24,661	1,986,094
Debt service	37,623	-	37,623	3,730,099
Other purposes	3,379,518	-	3,379,518	1,460,492
Unrestricted	925,329	4,878,823	5,804,152	14,955
TOTAL NET ASSETS	\$ 6,880,401	\$ 6,531,020	\$13,411,421	\$61,135,548

See accompanying notes to financial statements.

Sanilac County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
Legislative	\$ 89,416	\$ -	\$ -	\$ -	\$ (89,416)	\$ -	\$ (89,416)	\$ -
Judicial	1,497,046	704,998	1,052,333	-	260,285	-	260,285	-
General government	1,779,918	935,703	195,947	-	(648,268)	-	(648,268)	-
Public safety	4,834,601	1,903,660	739,007	-	(2,191,934)	-	(2,191,934)	-
Public works	2,522,675	173,838	-	-	(2,348,837)	-	(2,348,837)	-
Health and welfare	5,247,277	703,953	3,177,056	-	(1,366,268)	-	(1,366,268)	-
Recreation and cultural	659,719	302,395	-	-	(357,324)	-	(357,324)	-
Other	2,766,782	-	-	-	(2,766,782)	-	(2,766,782)	-
Unallocated depreciation	307,591	-	-	-	(307,591)	-	(307,591)	-
Interest on long-term debt	135,938	-	-	-	(135,938)	-	(135,938)	-
Total governmental activities	19,840,963	4,724,547	5,164,343	-0-	(9,952,073)	-0-	(9,952,073)	-0-
Business-type activities:								
Medical Care Facility	7,003,416	6,453,035	-	-	-	(550,381)	(550,381)	-
Delinquent Tax Umbrella	93	2,352	-	-	-	2,259	2,259	-
Delinquent Tax 2004	25,320	183,774	-	-	-	158,454	158,454	-
Other	69,405	499,575	-	-	-	430,170	430,170	-
Total business-type activities	7,098,234	7,138,736	-0-	-0-	-0-	40,502	40,502	-0-
Total primary government	<u>\$ 26,939,197</u>	<u>\$ 11,863,283</u>	<u>\$ 5,164,343</u>	<u>\$ -0-</u>	(9,952,073)	40,502	(9,911,571)	-0-
Component units:								
Drainage Districts	1,350,195	(469,045)	44,952	-	-	-	-0-	(1,774,288)
Board of Public Works	1,355,540	-	1,355,541	-	-	-	-0-	1
Economic Development Corporation	371,795	34,358	139,866	-	-	-	-0-	(197,571)
Road Commission	11,145,639	1,570,255	6,710,380	3,366,618	-	-	-0-	501,614
Total component units	<u>\$ 14,223,169</u>	<u>\$ 1,135,568</u>	<u>\$ 8,250,739</u>	<u>\$ 3,366,618</u>	-0-	-0-	-0-	(1,470,244)
General revenues:								
Property taxes					10,802,246	-	10,802,246	1,769,572
State shared revenue					-	-	-	-
Investment earnings					180,114	89,139	269,253	281,698
Intergovernmental transfers (net)					-	172,453	172,453	-
Gain on equipment disposals					-	-	-0-	126,608
Miscellaneous					277,868	93,793	371,661	115,900
Transfers					194,177	(222,107)	(27,930)	(43,311)
Total general revenues and transfers					11,454,405	133,278	11,587,683	2,250,467
Change in net assets					1,502,332	173,780	1,676,112	780,223
Net assets, beginning of the year					5,378,069	6,357,240	11,735,309	60,355,325
Net assets, end of the year					<u>\$ 6,880,401</u>	<u>\$ 6,531,020</u>	<u>\$ 13,411,421</u>	<u>\$ 61,135,548</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2005

	General	Road Millage	Health Department (FYE 9-30-05)
ASSETS			
Cash and cash equivalents	\$ 30,095	\$ 30,150	\$ (126,579)
Investments	980,195	209,250	-
Accounts receivable	165,505	-	29,699
Taxes receivable - current	1,950,471	2,350,000	-
Taxes receivable - delinquent	33,562	15,686	-
Loans receivable	-	-	-
Due from other funds	32,613	-	71,609
Due from other governmental units	448,416	-	172,062
Prepayments	1,953	-	33,339
Advance to component unit	122,539	-	-
TOTAL ASSETS	\$ 3,765,349	\$ 2,605,086	\$ 180,130
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 72,936	\$ -	\$ 42,786
Accrued payroll	34,224	-	36,146
Other accrued liabilities	136,254	10,407	85,212
Due to other funds	25,946	-	-
Due to other governmental units	-	-	-
Due to component units	200,934	-	-
Deferred revenue	2,206,926	2,594,679	-
TOTAL LIABILITIES	2,677,220	2,605,086	164,144
FUND EQUITY			
Fund balance			
Reserved for:			
Inventories and prepaids	1,953	-	33,339
Advances to component units and other funds	122,539	-	-
Debt service	-	-	-
Unreserved			
Designated for specific expenditures	-	-	-
Undesignated, reported in:			
General fund	963,637	-	-
Special revenue funds	-	-	(17,353)
Capital projects funds	-	-	-
TOTAL FUND BALANCES	1,088,129	-0-	15,986
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,765,349	\$ 2,605,086	\$ 180,130

See accompanying notes to financial statements.

Revenue Sharing Reserve	Sheriff	Other Non-major Governmental Funds	Total Governmental Funds
\$ 513	\$ 124,354	\$ 1,565,879	\$ 1,624,412
285,747	-	-	1,475,192
-	123	140,559	335,886
1,598,849	-	1,977,849	7,877,169
-	-	-	49,248
-	-	269,028	269,028
-	-	-	104,222
-	-	267,099	887,577
-	2,685	144,450	182,427
-	-	-	122,539
<u>\$ 1,885,109</u>	<u>\$ 127,162</u>	<u>\$ 4,364,864</u>	<u>\$ 12,927,700</u>
\$ -	\$ 60,230	\$ 137,357	\$ 313,309
-	42,031	36,676	149,077
-	-	2,135	234,008
-	-	6,167	32,113
-	-	48,000	48,000
-	-	-	200,934
-	-	2,438,249	7,239,854
-0-	102,261	2,668,584	8,217,295
-	2,685	144,450	182,427
-	-	-	122,539
-	-	37,623	37,623
-	-	200,484	200,484
-	-	-	963,637
1,885,109	22,216	1,289,062	3,179,034
-	-	24,661	24,661
<u>1,885,109</u>	<u>24,901</u>	<u>1,696,280</u>	<u>4,710,405</u>
<u>\$ 1,885,109</u>	<u>\$ 127,162</u>	<u>\$ 4,364,864</u>	<u>\$ 12,927,700</u>

Sanilac County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2005

Total fund balance - governmental funds \$ 4,710,405

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	8,220,683	
Accumulated depreciation is	<u>(3,072,315)</u>	
Capital assets, net		5,148,368

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	1,086,927
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Certain receivables are not susceptible to accrual in the Fund Financial Statements due to not having met the criteria to be considered available to finance current operations

Loans receivable	269,028
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Net pension obligation	(525,922)	
Direct County obligations	(3,030,000)	
Compensated absences	<u>(778,405)</u>	
		<u>(4,334,327)</u>

Net assets of governmental activities	<u><u>\$ 6,880,401</u></u>
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See accompanying notes to financial statements.

Sanilac County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	General	Road Millage	Health Department (FYE 9-30-04)
REVENUES			
Taxes	\$ 4,978,685	\$ 2,250,823	\$ -
Licenses and permits	451,552	-	133,269
Intergovernmental	1,306,963	-	1,289,289
Charges for services	2,564,024	-	315,717
Fines and forfeits	40,369	-	-
Interest and rents	247,871	16,529	-
Other	352,113	-	42,658
TOTAL REVENUES	9,941,577	2,267,352	1,780,933
EXPENDITURES			
Current			
Legislative	89,416	-	-
General government	1,740,278	-	-
Judicial	971,838	-	-
Public safety	486,326	-	-
Public works	202,807	2,281,354	-
Health and welfare	738,426	-	1,973,743
Recreation and culture	-	-	-
Other	1,164,790	-	-
Capital outlay	-	-	34,140
Debt Service			
Principal redemption	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	5,393,881	2,281,354	2,007,883
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,547,696	(14,002)	(226,950)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,065,818	771	188,860
Operating transfers out	(5,557,362)	-	-
Transfers from component unit	43,311	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(4,448,233)	771	188,860
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	99,463	(13,231)	(38,090)
Fund balances, beginning of year	988,666	13,231	54,076
Fund balances, end of year	\$ 1,088,129	\$ -0-	\$ 15,986
See accompanying notes to financial statements.			

Revenue Sharing Reserve	Sheriff	Other Non-major Governmental Funds	Total Governmental Funds
\$ 1,599,083	\$ -	\$ 1,869,752	\$ 10,698,343
-	-	25,765	610,586
-	36,585	2,014,299	4,647,136
-	-	1,132,925	4,012,666
-	-	15,164	55,533
6,747	-	287,640	558,787
-	-	269,826	664,597
1,605,830	36,585	5,615,371	21,247,648
-	-	-	89,416
-	-	-	1,740,278
-	-	525,208	1,497,046
-	2,593,780	1,754,495	4,834,601
-	-	38,514	2,522,675
-	-	2,535,108	5,247,277
-	-	659,719	659,719
-	-	-	1,164,790
-	-	44,273	78,413
-	-	200,000	200,000
-	-	135,938	135,938
-0-	2,593,780	5,893,255	18,170,153
1,605,830	(2,557,195)	(277,884)	3,077,495
-	2,583,178	1,148,609	4,987,236
(801,072)	(14,939)	(582,901)	(6,956,274)
-	-	-	43,311
(801,072)	2,568,239	565,708	(1,925,727)
804,758	11,044	287,824	1,151,768
1,080,351	13,857	1,408,456	3,558,637
\$ 1,885,109	\$ 24,901	\$ 1,696,280	\$ 4,710,405

Sanilac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Net change in fund balances - total governmental funds **\$ 1,151,768**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	153,491	
Depreciation expense	<u>(307,591)</u>	
Excess of depreciation expense over capital outlay		(154,100)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net expense from governmental activities accounted for in Internal Service Funds		517,913
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in loans receivable		(98,531)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement		200,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in net pension obligation	(34,357)	
(Increase) in accrued compensated absences	<u>(80,361)</u>	
		<u>(114,718)</u>

Change in net assets of governmental activities **\$ 1,502,332**

See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Business-type Activities				Governmental Activities	
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2004	Other Non-major Enterprise Funds	Total	Internal Service Funds
ASSETS						
Current assets						
Cash and cash equivalents	\$ 195,828	\$ 452,384	\$ 79,546	\$ 1,938,584	\$ 2,666,342	\$ 597,716
Taxes receivable - delinquent	-	8,093	1,056,245	299,502	1,363,840	-
Receivables	1,102,813	216	345	583	1,103,957	2,870
Inventory	9,732	-	-	-	9,732	12,340
Due from other funds	-	1,386,775	20	218,071	1,604,866	33,968
Due from other governmental units	-	24,544	20,009	10,893	55,446	-
Prepaid expenses	31,580	-	-	-	31,580	76,101
TOTAL CURRENT ASSETS	1,339,953	1,872,012	1,156,165	2,467,633	6,835,763	722,995
Restricted and other assets						
Cash and cash equivalents - restricted	28,964	-	-	-	28,964	-
Total restricted assets	28,964	-0-	-0-	-0-	28,964	-0-
Fixed assets						
Land	90,379	-	-	-	90,379	64,000
Buildings and improvements	3,739,162	-	-	-	3,739,162	141,733
Equipment	920,422	-	-	-	920,422	1,576,804
Vehicles	-	-	-	-	-0-	661,369
Less: accumulated depreciation	(3,097,766)	-	-	-	(3,097,766)	(1,968,805)
Net fixed assets	1,652,197	-0-	-0-	-0-	1,652,197	475,101
TOTAL ASSETS	3,021,114	1,872,012	1,156,165	2,467,633	8,516,924	1,198,096
LIABILITIES						
Current liabilities						
Accounts payable	99,005	-	-	-	99,005	30,970
Accrued payroll	64,964	-	-	-	64,964	-
Accrued liabilities	4,831	7,337	-	-	12,168	-
Due to other funds	-	20	750,000	889,315	1,639,335	-
Due to component units	-	-	-	-	-0-	-
Due to other governmental units	-	-	58	170	228	-
Payable from restricted assets	7,110	-	-	-	7,110	-
Deferred revenue	28,964	-	-	-	28,964	-
Notes payable	-	-	-	-	-	-
Security deposits payable	28,829	-	-	-	28,829	-
Total current liabilities	233,703	7,357	750,058	889,485	1,880,603	30,970
Other liabilities						
Capital leases payable	-	-	-	-	-0-	80,199
Accrued vacation and sick	105,301	-	-	-	105,301	-
Advances from other funds	-	-	-	-	-0-	-
TOTAL LIABILITIES	339,004	7,357	750,058	889,485	1,985,904	111,169
NET ASSETS						
Invested in capital assets, net of debt	1,652,197	-	-	-	1,652,197	394,902
Restricted	-	-	-	-	-	-
Unrestricted	1,029,913	1,864,655	406,107	1,578,148	4,878,823	692,025
TOTAL NET ASSETS	\$2,682,110	\$1,864,655	\$ 406,107	\$ 1,578,148	\$6,531,020	\$ 1,086,927

See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2005

	Business-type Activities				Governmental Activities	
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2004	Other Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 7,725,063	\$ -	\$ -	\$ -	\$ 7,725,063	\$ 219,939
Contractual adjustments/prior cost settlements	(1,296,709)	-	-	-	(1,296,709)	-
Interest on taxes	-	2,220	95,671	200,062	297,953	-
Sales	24,681	-	-	137,432	162,113	-
Administrative fees	-	132	88,103	162,081	250,316	-
Other	68,915	23,882	-	996	93,793	274,435
TOTAL OPERATING REVENUES	6,521,950	26,234	183,774	500,571	7,232,529	494,374
OPERATING EXPENSES						
Salaries	3,602,638	-	-	734	3,603,372	2,500
Fringe benefits	1,589,943	-	-	73	1,590,016	1,514,381
Contractual services	366,462	-	10,075	-	376,537	181,819
Supplies	703,315	-	-	10,942	714,257	232,298
Depreciation	210,812	-	-	-	210,812	129,978
Other	530,246	9	29	51,586	581,870	35,390
TOTAL OPERATING EXPENSES	7,003,416	9	10,104	63,335	7,076,864	2,096,366
OPERATING INCOME (LOSS)	(481,466)	26,225	173,670	437,236	155,665	(1,601,992)
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental transfers in	172,453	-	-	-	172,453	-
Intergovernmental transfers out	-	-	-	-	-	-
Interest revenue	8,477	31,887	8,890	39,885	89,139	-
Interest expense	-	(84)	(15,216)	(6,070)	(21,370)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	180,930	31,803	(6,326)	33,815	240,222	-0-
INCOME (LOSS) BEFORE TRANSFERS IN (OUT)	(300,536)	58,028	167,344	471,051	395,887	(1,601,992)
TRANSFERS IN (OUT)						
Operating transfers in	-	647,429	-	488,423	1,135,852	2,119,905
Operating transfers out	-	(459,866)	-	(898,093)	(1,357,959)	-
TOTAL TRANSFERS IN (OUT)	-0-	187,563	-0-	(409,670)	(222,107)	2,119,905
CHANGE IN NET ASSETS	(300,536)	245,591	167,344	61,381	173,780	517,913
Net assets, beginning of year	2,982,646	1,619,064	238,763	1,516,767	6,357,240	569,014
Net assets, end of year	\$ 2,682,110	\$ 1,864,655	\$ 406,107	\$ 1,578,148	\$ 6,531,020	\$ 1,086,927

See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Business-type Activities			Other
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2004	Non-major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 6,568,296	\$ (778,937)	\$ 183,774	\$ 1,080,556
Cash paid to suppliers	(1,567,705)	(59,990)	(212,755)	185,202
Cash paid for employee benefits	(1,589,943)	-	-	-
Cash paid to employees	(3,638,769)	-	-	(734)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(228,121)	(838,927)	(28,981)	1,265,024
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Proceeds of notes	-	-	-	-
Note payments	-	-	-	(750,000)
Interest expense	-	(84)	(15,216)	(6,070)
Intergovernmental transfers in	172,453	-	-	-
Intergovernmental transfers out	-	-	-	-
Repayment of advance	-	189,494	-	-
Transfers in	-	647,429	-	488,423
Transfers out	-	(459,866)	-	(898,093)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	172,453	376,973	(15,216)	(1,165,740)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital lease proceeds	-	-	-	-
Payments on capital leases	-	-	-	-
Capital acquisitions	(21,019)	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(21,019)	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	8,477	31,887	8,890	39,885
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(68,210)	(430,067)	(35,307)	139,169
Cash and cash equivalents, beginning of year	293,002	882,451	114,853	1,799,415
Cash and cash equivalents, end of year	<u>\$ 224,792</u>	<u>\$ 452,384</u>	<u>\$ 79,546</u>	<u>\$ 1,938,584</u>

See accompanying notes to financial statements.

	Governmental Activities	
	Total	Internal Service Funds
	\$ 7,053,689	\$ 297,156
	(1,655,248)	(463,745)
	(1,589,943)	(1,514,381)
	<u>(3,639,503)</u>	<u>(16,528)</u>
	168,995	(1,697,498)
	-0-	-
	(750,000)	-
	(21,370)	-
	172,453	-
	-0-	-
	189,494	-
	1,135,852	2,119,905
	<u>(1,357,959)</u>	<u>-</u>
	(631,530)	2,119,905
	-0-	110,334
	-0-	(35,244)
	<u>(21,019)</u>	<u>(161,139)</u>
	(21,019)	(86,049)
	<u>89,139</u>	<u>-</u>
	(394,415)	336,358
	<u>3,089,721</u>	<u>261,358</u>
	<u><u>\$ 2,695,306</u></u>	<u><u>\$ 597,716</u></u>

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2005

	Business-type Activities			Other
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2004	Non-major Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (481,466)	\$ 26,225	\$ 173,670	\$ 437,236
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities				
Depreciation	210,812	-	-	-
(Increase) Decrease in receivables	51,431	(805,171)	(952,709)	579,985
(Increase) in prepaid expenses and inventory	(1,272)	-	-	-
Increase (decrease) in accounts payable	33,590	-	-	-
Increase (decrease) in deferred revenue	(5,085)	-	-	-
Increase (decrease) in due to other governments	-	-	58	-
Increase (decrease) in accrued liabilities	(36,131)	(59,981)	750,000	247,803
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (228,121)</u></u>	<u><u>\$ (838,927)</u></u>	<u><u>\$ (28,981)</u></u>	<u><u>\$ 1,265,024</u></u>

	Governmental Activities
	Internal Service Funds
<u>Total</u>	
\$ 155,665	\$ (1,601,992)
210,812	129,978
(1,126,464)	(197,218)
(1,272)	1,530
33,590	(15,768)
(5,085)	
58	(14,028)
<u>901,691</u>	<u>-</u>
<u>\$ 168,995</u>	<u>\$ (1,697,498)</u>

Sanilac County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Agency Funds	Pension Trust Fund
ASSETS		
Cash and cash equivalents	\$ 307,371	\$ 784,589
Investments	-	26,967,735
Accounts receivable	-	107,672
Accrued interest receivable	-	195,744
Due from other funds	136,073	84,838
Due from other governments	-	2,324
TOTAL ASSETS	\$ 443,444	\$ 28,142,902
LIABILITIES		
Accounts payable	\$ -	\$ 5,369
Undistributed collections	184,762	-
Due to other funds	22,656	52
Due to other governmental units	141,051	-
Due to individuals and agencies	94,975	-
TOTAL LIABILITIES	\$ 443,444	\$ 5,421
NET ASSETS		
Held in trust for pension benefits		\$ 28,137,481

See accompanying notes to financial statements.

Sanilac County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2005

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 622,661
Net increase in fair value of investments	584,592
Less investment expenses	<u>(263,061)</u>
Net investment income	944,192
Contributions	
Employer	
Mental Health	467,909
Other	1,297,392
Employees	<u>244,509</u>
Total contributions	2,009,810
Other revenue	<u>1,154</u>
TOTAL ADDITIONS	2,955,156
DEDUCTIONS	
Benefit payments	1,082,329
Refunds of contributions	107,912
Administrative expenses	<u>4,083</u>
TOTAL DEDUCTIONS	<u>1,194,324</u>
CHANGE IN NET ASSETS	1,760,832
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>26,376,649</u>
End of year	<u><u>\$ 28,137,481</u></u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Board of Public Works	Road Commission	Drainage Districts
ASSETS			
Cash and cash equivalents	\$ 19,136	\$ 913,146	\$ 2,840,714
Special assessments receivable	-	-	2,777,810
Accounts receivable	-	2,110	-
Due from other governmental units	28,646	1,167,756	-
Inventory	-	231,617	-
Prepaid expenses	-	125,551	-
Due from other funds	-	-	271,688
Due from primary government	-	-	200,934
Advances to other funds	-	-	56,000
Leases receivable	9,508,621	-	-
Capital assets (net of accumulated depreciation)	-	44,735,661	14,228,444
TOTAL ASSETS	9,556,403	47,175,841	20,375,590
LIABILITIES			
Accounts payable	28,508	184,817	-
Accrued liabilities	-	71,480	-
Compensated absences	-	497,114	-
Deferred revenue	-	30,212	-
Lease purchases payable	-	1,179,871	-
Due to other funds	-	-	271,688
Due to individuals	-	-	-
Notes, bonds, and loans payable	9,508,621	5,000	3,840,326
Advances from other funds	-	-	56,000
Due to other governmental units	-	108	-
Advances from other governmental units	-	190,957	-
Advances from primary government	-	-	122,539
TOTAL LIABILITIES	9,537,129	2,159,559	4,290,553
NET ASSETS			
Invested in capital assets, net of related debt	-	43,555,790	10,388,118
Restricted for other purposes	-	1,460,492	-
Reserved for debt service	1,534	-	3,728,565
Unrestricted			
Designated for capital expenditures	17,740	-	1,968,354
Undesignated	-	-	-
TOTAL NET ASSETS	\$ 19,274	\$ 45,016,282	\$ 16,085,037

<u>Economic Development Corporation</u>	<u>Total Component Units</u>
\$ 224,494	\$ 3,997,490
-	2,777,810
-	2,110
24,062	1,220,464
-	231,617
-	125,551
-	271,688
-	200,934
-	56,000
-	9,508,621
-	58,964,105
<hr/>	<hr/>
248,556	77,356,390
735	214,060
-	71,480
-	497,114
130,883	161,095
-	1,179,871
-	271,688
-	-0-
101,983	13,455,930
-	56,000
-	108
-	190,957
-	122,539
<hr/>	<hr/>
233,601	16,220,842
-	53,943,908
-	1,460,492
-	3,730,099
-	1,986,094
14,955	14,955
<hr/>	<hr/>
<u>\$ 14,955</u>	<u>\$ 61,135,548</u>

Sanilac County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Drainage Districts	\$ 1,350,195	\$ (469,045)	\$ 44,952	\$ -	\$ (1,774,288)
Board of Public Works	1,355,540	-	1,355,541	-	1
Economic Development Corp.	371,795	34,358	139,866	-	(197,571)
Road Commission	11,145,639	1,570,255	6,710,380	3,366,618	501,614
TOTALS	<u>\$ 14,223,169</u>	<u>\$ 1,135,568</u>	<u>\$ 8,250,739</u>	<u>\$ 3,366,618</u>	(1,470,244)
General revenues					
Taxes					1,769,572
Investment earnings					281,698
Miscellaneous					115,900
Gain (loss) on equipment disposal					126,608
Transfers to primary government - net					<u>(43,311)</u>
Total general revenues and transfers					<u>2,250,467</u>
CHANGE IN NET ASSETS					780,223
Net assets, beginning of year					60,355,325
Prior period adjustments					<u>-</u>
Net assets, end of year					<u>\$ 61,135,548</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Component Unit Fiduciary Fund - Road Commission

STATEMENT OF NET ASSETS

December 31, 2005

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 18,604
Investments	<u>3,950,513</u>
TOTAL ASSETS	<u>\$ 3,969,117</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 3,969,117</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Component Unit Pension Trust Fund - Road Commission

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2005

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 114,520
Net increase in fair value of investments	<u>302,727</u>
Net investment income	417,247
Contributions	
Employer	<u>205,563</u>
TOTAL ADDITIONS	622,810
DEDUCTIONS	
Benefit payments	<u>81,029</u>
CHANGE IN NET ASSETS	541,781
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>3,427,336</u>
End of year	<u>\$ 3,969,117</u>

See accompanying notes to financial statements.

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Sanilac, Michigan was incorporated in 1820, and covers an area of approximately 961 square miles with the County seat located in the City of Sandusky. The County operates under an elected Board of Commissioners and provides services to its more than 44,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County does not apply the Financial Accounting Standards Board's Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Sanilac County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Unit

The Sanilac County Building Authority is governed by a four (4) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Sanilac County Building Authority is reported as if it were part of the (blended) primary government because its sole purpose is to finance and construct the County's public buildings.

The financial statements of the Sanilac County Health Department (primary government Special Revenue Fund) are reported on the fiscal year ended September 30, 2005.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Sanilac County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Sanilac County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Sanilac County Road Commission maintains local, state, and federal trunklines within Sanilac County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are elected by the residents of the County. The Road Commission is financially accountable to the County due to all general long-term debt issuances excluding capital lease purchase agreements require County authorization. This component unit is audited individually and financial statements are issued under separate cover.

The financial statements of the Sanilac County Road Commission may be obtained from the administrative office of the Road Commission located at 35 N. Flynn Street, Sandusky, MI 48471.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Sanilac County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner and six (6) members appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government and has the responsibility of administering the various local unit public works construction projects and the associated debt service funds under the provision of Act 185 of the Public Acts of 1957. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

The Sanilac County Drainage Districts come under the jurisdiction of the Sanilac County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$150,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$150,000 require County authorization and are backed by the full faith and credit of the County.

The Sanilac County Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a thirteen (13) person Board of Directors appointed by the County Board of Commissioners. The EDC may not issue debt without the County's approval and administers Federal economic development grant money which is received by the County.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are described as follows:

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the primary operating fund of the County. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

GOVERNMENTAL FUNDS - CONTINUED

- b. Health Department Fund - The Health Department Fund is used to report activities related to various personal and environmental health services provided to County residents. These activities are financed primarily by Federal and State grants, user charges and other local revenues.
- c. Road Millage Fund - The Road Millage Fund is used to account for the collection of a dedicated tax levy and transfers of funds to the Road Commission related to road projects.
- d. Sheriff Fund - The Sheriff Fund is used to report activities related to the Sheriff department and jail operations. These activities are financed by user charges, Federal and State grants, and other local revenues that are initially reported in the General Fund and then are transferred through a County appropriation to this fund.
- e. Revenue Sharing Reserve Fund - The Revenue Sharing Reserve Fund is used to account for a portion of the County General Fund property tax levy that has been set aside per State statute to offset reductions in State Revenue Sharing funds. Transfers are made from this fund to the General Fund to replace the State Revenue Sharing funds that have been reduced.

PROPRIETARY FUNDS

- a. Medical Care Facility Fund - The Medical Care Facility Fund is used to report activities related to providing long-term care services to County residents. These activities are financed primarily by user charges (Medicaid, Medicare, private, etc.).
- b. Delinquent Tax Umbrella Fund - The Delinquent Tax Umbrella Fund is used to account for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties and interest.
- c. Delinquent Tax 2004 Fund - The Delinquent Tax 2004 Fund is used to account for money advanced by the County to other local taxing units and various County funds to pay for their 2004 delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties and interest.

5. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

7. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, money markets and investment trust funds with an original maturity of 90 days or less. The investment trust funds have the general characteristics of demand deposit accounts in that the County may deposit and withdraw additional cash at any time without prior notice or penalty.

8. Investments

Investments are reported at fair value. Investments consist of various Pension Fund securities (i.e., U.S. government securities, American depository receipts, corporate bonds, common stock, foreign stocks and bonds) and certificates of deposit with an original maturity of over 90 days. The difference between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the statement of changes in Plan Net Assets as net appreciation or depreciation in the fair value of investments.

9. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services. Where appropriate, the estimated portion that is expected to be uncollectible is represented as an allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Inventories

The cost of inventory items in the primary government governmental funds is recorded as an expenditure at the time of purchase.

Inventories in the Component Unit Road Commission governmental fund consists of various road construction and maintenance supplies and materials. These items are valued at cost determined on the average cost and specific identification methods.

11. Prepaid Expenditures

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenditures.

12. Restricted Assets

Certain revenues and resources in the proprietary fund types are classified as restricted assets on the balance sheet because their use is limited. The restricted assets of the County reported in the Medical Care Facility Fund represent accumulated restricted donations and patient trust deposits.

13. Lease Receivable

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the Sanilac County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently which have been reported as noncurrent.

14. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5000 or more and an estimated useful life of more than one year. All drain infrastructure other than routine maintenance is capitalized retroactively back to June 30, 1980 as required by GASB Statement No. 34.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	25 - 40 years
Vehicles and equipment	5 - 15 years
Drain infrastructure	30 years

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Capital Assets - continued

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, plant, equipment, infrastructure assets, (e.g., roads, bridges and similar items) are reported under governmental activities within the operating fund in the government-wide financial statements. Capital assets are defined by the Sanilac County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation is computed on the sum-of-the-years digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	5 - 30 years
Infrastructure - Bridges	12 - 50 years

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2005, including related payroll taxes, is recorded in the government-wide financial statements for the Primary Government and Component Units.

17. Deferred Revenue

Deferred revenue consists of amounts related to long-term special assessment tax receivables, December 2005 current tax levy receivables, and various grant revenues recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

NOTES TO FINANCIAL STATEMENTS

December 31 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers, except that pension contributions, recorded as revenue in the Pension Trust Fund, represent remittances of required amounts from the County and employees pursuant to pension plan agreements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund provides administrative services to various funds. Amounts charged to the other funds for these services are based on the County's cost allocation plan and are treated as miscellaneous revenues in the General Fund and as operating expenditures/expenses in the other funds.

Internal Service Funds are used to record charges for services to all County departments and funds as operating transfers or operating revenues. All County funds record these payments to the Internal Service Funds as operating transfers or operating expenditures/expenses.

19. Contractual Adjustments

The County records all charges for services of the primary government Medical Care Facility (Enterprise) Fund as gross charges. However, because most of the intermediaries reimburse the facilities at something less than gross charges, the underrealization of charges are recorded as contractual adjustments and deducted from gross charges as a reduction in operating income.

20. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results.

The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds. For control purposes, all funds' budgets are maintained at the activity and account level. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were material in relation to the original appropriations that were adopted.

21. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes a pooled cash account for numerous funds. The County's pooled cash is utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, (except for the Delinquent Tax Revolving Funds), Trust and Agency Funds, and Component Unit Funds. Each fund's portion of this pooled account is included in the cash and cash equivalents caption on the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and investment trust funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or Sanilac office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association, or government national mortgage association.

As of December 31, 2005, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Amount</u>	<u>Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 912,164	\$ 907,162
Savings and money market accounts	6,064,156	6,064,375
Certificates of deposit	<u>1,144,511</u>	<u>1,144,511</u>
TOTAL PRIMARY GOVERNMENT	8,120,831	8,116,048

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

<u>ACCOUNT TYPE</u>	<u>Amount</u>	<u>Balance</u>
COMPONENT UNITS		
Checking	\$ 1,143,619	\$ 2,055,347
Certificates of Deposit	35,000	35,000
Savings and money market accounts	<u>2,827,415</u>	<u>2,827,415</u>
TOTAL COMPONENT UNITS	<u>4,006,034</u>	<u>4,917,762</u>
TOTAL REPORTING ENTITY	<u>\$12,126,865</u>	<u>\$13,033,810</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2005, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$2,004,310 and the amount of \$11,029,500 was uninsured and uncollateralized.

As of December 31, 2005, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount/ Fair Value</u>
PRIMARY GOVERNMENT	
Insured or registered for which the securities are held by the County's agent not in the County's name	
U.S. Government securities	\$ 4,777,609
Uninsured and unregistered for which the securities are held by the counterparty, or by the counterparty's trust department or agent, but not in the County's name	
American depository receipts	3,665,814
Corporate bonds	6,950,686
Common stock	9,979,849
Foreign stock	260,432
Uncategorized pooled investment funds	<u>677,396</u>
Total primary government	<u>26,311,786</u>
COMPONENT UNITS	
Uncategorized pooled investment funds	
Road Commission	
Pension Trust	<u>3,969,117</u>
TOTAL REPORTING ENTITY	<u>\$ 30,280,903</u>

The categorized investments listed above were purchased for the County employee's Pension Trust Fund. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types.

The uncategorized pooled investments listed above represent surplus funds invested under trust agreements with banks. The surplus funds are pooled with surplus funds of other local units of government, which the banks invest and hold in trust. Separate accounts designated by the County's name and number are maintained by the trustee banks. The nature of these investments do not allow for risk categorization, which is in accordance with GASB Statement #3.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the applicable balance sheet/statement of net assets based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2005:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 4,888,470	\$ 3,997,490	\$ 1,110,564	\$ 9,996,524
Cash and cash equivalents - Restricted	28,964	-	-	28,964
Investments	<u>1,475,192</u>	<u>-</u>	<u>30,918,248</u>	<u>32,393,440</u>
	<u>\$ 6,392,626</u>	<u>\$ 3,997,490</u>	<u>\$ 32,028,812</u>	<u>\$ 42,418,928</u>

The primary government cash and cash equivalents reported amounts are different than the book and bank balance analysis by \$3,198 due to the Health Department (Special Revenue Fund) being reported in the financial statements as of September 30, 2005, but in the analysis above as of December 31, 2005. The primary government cash and cash equivalents caption on the applicable balance sheet/statement of net assets also include \$14,108 in imprest cash. The component unit cash and cash equivalents caption on the applicable balance sheet /statement of net assets includes \$250 in imprest cash.

NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for various funds. Cash overdrafts of individual funds as of December 31, 2005, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$(707,758)	\$ 737,853	\$ 30,095
Special Revenue Funds			
Friend of the Court	(93,312)	100	(93,212)
Health Department	(132,178)	5,599	(126,579)
Environmental Trust	(6,645)	-	(6,645)
Veterans Millage	(2,619)	26,240	23,621
Drug Law Enforcement	(55,530)	198,019	142,489
Secondary Road Patrol	(40,840)	-	(40,840)
Contractual Road Patrol	(10,899)	-	(10,899)
Crime Victims Rights	(12,100)	-	(12,100)
Community Corrections	(23,729)	-	(23,729)
Remonumentation Program	(54,575)	-	(54,575)
Great Parents	(2,564)	-	(2,564)
Parks and Recreation	(14,026)	68,810	54,784
Enterprise Funds			
Medical Care Facility	(137,378)	333,206	195,828
Internal Service Funds			
Central Stores	(2,379)	-	(2,379)
TOTAL PRIMARY GOVERNMENT	(1,296,532)	1,369,827	73,295

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT - CONTINUED

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
COMPONENT UNITS			
Drainage Districts			
Maintenance Revolving Drain	\$(2,855)	\$ 119,623	\$ 116,768
Board of Public Works			
Carsonville - Arsenic Capital Project	(138)	-	(138)
TOTAL COMPONENT UNIT	(2,993)	119,623	116,630
TOTAL REPORTING ENTITY	\$(1,299,525)	\$ 1,489,450	\$ 189,925

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

In the government-wide Statement of Net Assets, all interfund receivables and payables between individual governmental funds, business type funds, and components unit funds have been eliminated. The following schedule details the remaining interfund receivables and payables at December 31, 2005:

	<u>Interfund Receivable</u>		<u>Interfund Fund Payable</u>
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
Due from other funds		Due to other funds	\$ -
Governmental Activities			
Health Department	\$ 71,609		
General Fund	32,612		
Other non-major funds	1,856	Business-type Activities	
		Other non-major funds	34,469
Totals Primary Government	<u>\$ 106,077</u>		<u>\$ 34,469</u>
COMPONENT UNITS		PRIMARY GOVERNMENT	
Due from Primary Government		Due to Component Units	
Drainage Districts	\$ 200,934	Governmental Activities	
		General Fund	\$ 200,934
Totals Component Units	<u>\$ 200,934</u>		<u>\$ 200,934</u>
PRIMARY GOVERNMENT		COMPONENT UNITS	
Advances to Component Units		Advances from primary government	
General Fund	<u>\$ 122,539</u>	Drainage Districts	<u>\$ 122,539</u>

The difference of \$71,609 in the due from other funds and due to other fund balances in the Primary Government area is due to the Health Department Fund being reported as of September 30, 2005, and the other funds being reported as of December 31, 2005.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE E: INTERFUND TRANSFERS

Reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the government-wide Statement of Activities, all interfund transfers between individual governmental funds, business type funds, and component unit funds have been eliminated.

Fund	Primary Government		Component Units			
	Transfers In	Transfers Out	Transfers from Component Units	Transfers to Primary Government	Transfers from Primary Government	Transfers to Component Units
Primary Government						
General Funds	\$ 1,065,818	\$ 5,557,362	\$ 43,311	\$ -	\$ -	\$ -
Health Department	188,860	-	-	-	-	-
Road Millage	771	-	-	-	-	-
Sheriff	2,583,178	14,939	-	-	-	-
Revenue Sharing Reserve	-	801,072	-	-	-	-
Non-major governmental funds	1,148,609	582,901	-	-	-	-
Internal Service Funds	2,119,905	-	-	-	-	-
Delinquent Tax Umbrella	647,429	459,866	-	-	-	-
Non-major business-type funds	488,423	898,093	-	-	-	-
Component Units						
Drainage Districts	-	-	328,079	43,311	-	328,079
	<u>\$ 8,242,993</u>	<u>\$ 8,314,233</u>	<u>\$ 371,390</u>	<u>\$ 43,311</u>	<u>\$ -0-</u>	<u>\$ 328,079</u>

The difference of \$71,240 is due to the Health Department Fund being reported as of September 30, 2005 and the other funds being reported as of December 31, 2005.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

PRIMARY GOVERNMENT

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
GOVERNMENTAL ACTIVITIES				
Land and improvements	\$ 183,918	\$ -	\$ -	\$ 183,918
Buildings and improvements	6,930,654	-	-	6,930,654
Vehicles	936,848	212,097	(218,129)	930,816
Equipment	<u>2,560,595</u>	<u>94,463</u>	<u>(35,857)</u>	<u>2,619,201</u>
Total at historical cost	10,612,015	306,560	(253,986)	10,664,589
Less accumulated depreciation	<u>(4,865,606)</u>	<u>(433,363)</u>	<u>257,849</u>	<u>(5,041,120)</u>
Capital assets, net	<u>\$ 5,746,409</u>	<u>\$ (126,803)</u>	<u>\$ 3,863</u>	<u>\$ 5,623,469</u>

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE F: CAPITAL ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
BUSINESS TYPE ACTIVITIES				
Land	\$ 90,379	\$ -	\$ -	\$ 90,379
Buildings and improvements	3,733,809	5,353	-	3,739,162
Equipment	<u>925,866</u>	<u>15,665</u>	<u>(21,109)</u>	<u>920,422</u>
Total at historical cost	4,750,054	21,018	(21,109)	4,749,963
Less accumulated depreciation	<u>(2,908,064)</u>	<u>(210,811)</u>	<u>21,109</u>	<u>(3,097,766)</u>
Capital assets, net	<u>\$ 1,841,990</u>	<u>\$(189,793)</u>	<u>\$ -0-</u>	<u>\$ 1,652,197</u>

COMPONENT UNITS

DRAINAGE DISTRICTS				
Drains	\$ 24,160,134	\$ 280,100	\$ -	\$ 24,440,234
Less accumulated depreciation	<u>(9,397,118)</u>	<u>(814,672)</u>	<u>-</u>	<u>(10,211,790)</u>
Capital assets, net	<u>\$ 14,763,016</u>	<u>\$(534,572)</u>	<u>\$ -0-</u>	<u>\$ 14,228,444</u>
ROAD COMMISSION				
Land and improvements	\$ 66,903	\$ -	\$ -	\$ 66,903
Buildings	429,111	-	-	429,111
Equipment	7,270,848	1,637,814	(1,170,248)	7,738,414
Construction in progress	82,375	-	(82,375)	-
Infrastructure (roads, bridges)	58,997,237	5,157,348	(1,989,733)	62,164,852
Depletable assets	<u>55,450</u>	<u>-</u>	<u>-</u>	<u>55,450</u>
Totals at historical cost	66,901,924	6,795,162	(3,242,356)	70,454,730
Less accumulated depreciation	<u>(25,375,727)</u>	<u>(3,215,400)</u>	<u>2,872,058</u>	<u>(25,719,069)</u>
Capital assets, net	<u>\$ 41,526,197</u>	<u>\$ 3,579,762</u>	<u>\$(370,298)</u>	<u>\$ 44,735,661</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2005:

	Balance Jan. 1, 2005	Additions	Reductions	Balance Dec. 31, 2005	Amounts Due within One Year
PRIMARY GOVERNMENT					
General Long-Term Debt					
Direct County Obligations	\$ 3,230,000	\$ -	\$ 200,000	\$ 3,030,000	\$ 215,000
Pension liability	491,565	34,357	-	525,922	-
Accumulated vacation and sick	<u>698,044</u>	<u>80,361</u>	<u>-</u>	<u>778,405</u>	<u>-</u>
	4,419,609	114,718	200,000	4,334,327	215,000

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

	Balance Jan. 1, 2005	Additions	Reductions	Balance Dec. 31, 2005	Amounts Due within One Year
PRIMARY GOVERNMENT - CONTINUED					
Proprietary Fund Types					
Internal Service Funds					
Data Processing Fund					
Capital lease	\$ 9,805	\$ -	\$ 4,695	\$ 5,110	\$ 5,110
Police Vehicle & Equipment Fund					
Capital lease	-	80,958	28,352	52,606	28,352
Motor Pool Fund					
Capital lease	-	29,376	6,893	22,483	16,984
Enterprise Funds					
Delinquent Tax Funds					
Tax notes payable - Series 2004	750,000	-	750,000	-	-
Medical Care Facility					
Accumulated vacation and sick	<u>127,970</u>	<u>-</u>	<u>22,669</u>	<u>105,301</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	5,307,384	225,052	1,012,609	4,519,827	265,446
COMPONENT UNITS					
Board of Public Works					
Water system bonds	9,810,884	262,737	565,000	9,508,621	565,000
Drainage Districts					
Special assessment bonds	2,160,000	-	405,000	1,755,000	160,000
Special assessment notes	1,056,875	-	217,875	839,000	167,000
Section 434 notes	<u>1,276,508</u>	<u>185,000</u>	<u>215,182</u>	<u>1,246,326</u>	<u>264,280</u>
Total Drainage Districts	4,493,383	185,000	838,057	3,840,326	591,280
Road Commission					
Capital leases payable	945,426	898,450	664,005	1,179,871	149,975
Accumulated vacation and sick	<u>680,624</u>	<u>-</u>	<u>183,510</u>	<u>497,114</u>	<u>248,557</u>
Total Road Commission	1,626,050	898,450	847,515	1,676,985	398,532
Economic Development Corporation					
Land loan	<u>101,983</u>	<u>-</u>	<u>-</u>	<u>101,983</u>	<u>-</u>
TOTAL COMPONENT UNITS	<u>16,032,300</u>	<u>1,346,187</u>	<u>2,250,572</u>	<u>15,127,915</u>	<u>1,554,812</u>
TOTAL REPORTING ENTITY	<u>\$21,339,684</u>	<u>\$ 1,571,239</u>	<u>\$ 3,263,181</u>	<u>\$19,647,742</u>	<u>\$ 1,820,258</u>

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Direct County Obligations - County Building Authority Bonds

The Sanilac County Board of Commissioners is party to long-term lease agreements for rental of the Medical Care Facility, Jail and Health Department buildings from the Sanilac County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

Bonds payable at December 31, 2005 are as follows:

\$1,350,000 Sanilac County Building Authority Bonds (Medical Care Facility Project) - Series 1995, dated February 1, 1995, due in annual installments ranging from \$35,000 to \$105,000 through October 1, 2020, with interest ranging from 4.40 to 5.50 percent, payable semi-annually.	\$ 1,030,000
\$1,175,000 Sanilac County Building Authority Bonds (Jail Project Refunding Bonds) - Series 2003 dated July 30, 2003, due in annual installments ranging from \$65,000 to \$105,000 through September 1, 2017, with interest ranging from 2.00 to 4.00 percent, payable semi-annually.	1,040,000
\$1,215,000 Sanilac County Building Authority Bonds (Health Project Refunding Bonds) - Series 2002 dated August 1, 2002, due in annual installments ranging from \$80,000 to \$125,000 through January 1, 2014, with interest ranging from 4.00 percent to 4.30 percent, payable semi-annually.	<u>960,000</u>
	<u>\$ 3,030,000</u>

Advance Refundings - Prior

On August 1, 2002, the County defeased the balance of the 1995 Building Authority Bonds (Health Project). This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County issued 2002 Building Authority Refunding Bonds (Health Project) in the amount of \$1,215,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2005, bonds due and payable for the 1995 Building Authority Bonds (Health Project) in the amount of \$915,000 are considered defeased.

On July 30, 2003, the County defeased the balance of the 1996 Building Authority Bonds (Jail Project). This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County issued 2003 Building Authority Refunding Bonds (Jail Project) in the amount of \$1,175,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2005, bonds due and payable for the 1996 Building Authority Bonds (Jail Project) in the amount of \$895,000 are considered defeased.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: LONG TERM DEBT - CONTINUEDPension Liability

The pension liability represents the cumulative difference between the annual required employer contributions (per actuarial reports) and the actual contributions made to the retirement system by the County. This amount of \$525,922 is reflected as a noncurrent liability in the statement of net assets.

Accumulated Vacation and Sick

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$883,706 for vacation and sick at December 31, 2005. This amount has been reported as a noncurrent liability in the statement of net assets.

Capital Leases

The County purchased recording equipment under a capital lease agreement. The cost of equipment under this lease agreement was \$23,643. The asset and liability has been recorded in the Data Processing (Internal Service) Fund.

The County purchased four (4) police vehicles under a capital lease agreement. The cost of the vehicles under this lease agreement was \$80,958. The asset and liability has been recorded in the Police Vehicle and Equipment (Internal Service) Fund.

The County purchased three (3) vehicles under capital lease agreements. The cost of the vehicles under these lease agreements were \$29,375. The asset and liability has been recorded in the Motor Pool (Internal Service) Fund.

The following is a summary of future payment requirements on these leases.

<u>Due Year</u> <u>December 31,</u>	<u>Amounts Due</u>	
	<u>Equipment</u>	<u>Vehicles</u>
2006	\$ 5,562	\$ 46,729
2007	-	42,137
	5,562	88,866
Less: interest	(452)	(13,777)
	<u>\$ 5,110</u>	<u>\$ 75,089</u>

Delinquent Tax Notes

The County purchases from the other local taxing authorities the face value of real property taxes that become delinquent each year. To fund this purchase, the County issues delinquent tax notes for which the subsequent collections of the delinquent taxes are used as collateral for payment of the notes. The activity related to issuance and payment of this debt is recorded in the applicable Delinquent Tax (Enterprise) Fund.

There were no outstanding delinquent tax notes payables at December 31, 2005.

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Indirect County Obligations - Water System Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following water system bonds. These projects are administered by the Sanilac County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, along with assessments made against benefiting properties, provide the monies required to meet the principal and interest on the sewer system bonds.

Bonds payable at December 31, 2005, for the water system construction projects are as follows:

\$1,030,000 Sanilac County Water System Improvements Project Bonds - Series 1998 (Townships of Lexington and Worth), dated October 1, 1998, due in annual installments ranging from \$40,000 to \$75,000 through May 1, 2018, with interest ranging from 4.40 percent to 5.05 percent, payable semi-annually.	\$ 815,000
\$8,225,000 Sanilac County Water System Improvement Project Bonds - Series 2000A (Township of Worth), dated March 1, 2000, due in annual installments ranging from \$425,000 to \$450,000 through May 1, 2020, with interest ranging from 5.625 to 6.10 percent, payable semi-annually.	6,525,000
\$950,000 Sanilac County Water System Improvements Project Bonds - Phase II - Series 2001 (Township of Worth), dated December 1, 2001, due in annual installments of \$50,000 through May 1, 2020, with interest ranging from 4.70 percent to 5.30 percent, payable semi-annually.	750,000
\$200,000 Sanilac County Brown City Water Tower Rehabilitation Project Bonds, Series 2002, dated September 1, 2002, due in annual installments of \$20,000 through March 1, 2012, with interest at 3.35 percent, payable semi-annually.	140,000
\$1,065,000 Sanilac County Drinking Water Revolving Project Bonds, dated June 24, 2004, due in annual installments ranging from \$25,000 to \$50,000 through April 1, 2034, with interest at 2.125 percent, payable semi-annually.	1,040,000
\$815,000 Sanilac County, Village of Carsonville Water Supply Bonds, dated August 5, 2005, due in annual installments ranging from \$10,000 to \$35,000 through April 1, 2036, with interest at 2.125 percent, payable semi-annually.	<u>238,621</u>
	<u>\$ 9,508,621</u>

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Bonds and Notes

The County has irrevocably pledged its full faith and credit for the following drain bonds and notes. These projects are administered by the Sanilac County Drain Commission for various local drainage districts.

The drain bonds and notes were issued to finance the various construction funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

Bonds and notes payable at December 31, 2005, per respective drain projects serviced from the Component Unit Funds are as follows:

Special Assessment Bonds

\$2,555,000 Duff and Branches Drain Bonds dated January 1, 1999, due in annual installments ranging from \$135,000 to \$230,000 through June 1, 2014, with interest ranging from 4.00 percent to 6.00 percent, payable semi-annually. \$ 1,755,000

Special Assessment Notes

\$560,000 Turtle Creek and Branches drain note dated January 20, 1998, due in annual installments of \$56,000 through June 20, 2007, with interest at 5.125 percent, payable semi-annually. \$ 112,000

\$510,000 White Rock Creek Intercounty Drainage District drain note dated February 1, 1998, due in annual installments of \$51,000 through August 1, 2007, with interest at 5.25 percent, payable semi-annually. 102,000

\$745,000 Stone drain note dated September 11, 2003, due in annual installments of \$60,000 to \$65,000 through June 1, 2015, with interest at 4.25 percent, payable semi-annually. 625,000
\$ 839,000

Various section 434 drain notes due in various annual installments and interest rates through 2013. \$ 1,246,326

COMPONENT UNIT - ROAD COMMISSION

Capital Leases

The Road Commission has entered into various capital lease agreements for the purchase of various equipment. The cost of equipment purchased under these capital leases totaled \$1,921,329.

The following is a summary of future payment requirements on these leases.

<u>Due Year Ending December 31,</u>	<u>Amount Due</u>
2006	\$ 174,190
2007	160,936
2008	322,975
2009	<u>624,121</u>
	1,282,222
Less: interest	<u>(102,351)</u>
	<u>\$ 1,179,871</u>

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Accumulated Vacation and Sick

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As of September 30, 2003, individual employees do not have vested rights upon termination of employment to receive payment for unused sick leave, however balances that had accumulated up to that date will be paid out to individual employees over a five year period.

Accumulated vacation and sick leave represents a liability to the Commission, which is presented as a current liability. For this reason, the total liability reported in the government-wide financial statements represents a current liability of \$248,557 at December 31, 2005.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds and Notes are as follows:

Year Ending December 31,	Primary Government	Component Units			Total
	Direct County Obligations	Board of Public Works Water System Bonds	Drainage Districts Bond and Drain Notes	Economic Development Corporation Land Loan	
2006	\$ 343,084	\$ 1,076,313	\$ 738,044	\$ -	\$ 2,157,441
2007	330,437	1,061,623	670,960	13,987	2,077,007
2008	337,582	1,018,581	533,181	13,987	1,903,331
2009	334,019	1,016,338	433,757	13,987	1,798,101
2010	334,968	970,134	410,896	13,987	1,729,985
2011-2015	1,561,286	4,417,415	1,555,972	55,949	7,590,622
2016-2020	755,895	3,547,191	19,337	4,125	4,326,548
2021-2025	-	429,450	-	-	429,450
	3,997,271	13,537,045	4,362,147	116,022	22,012,485
Less: interest	(967,271)	(4,028,424)	(521,821)	(14,039)	(5,531,555)
	<u>\$ 3,030,000</u>	<u>\$ 9,508,621</u>	<u>\$ 3,840,326</u>	<u>\$ 101,983</u>	<u>\$16,480,930</u>

NOTE H: EMPLOYEE RETIREMENT SYSTEM

RETIREMENT SYSTEM - COUNTY GENERAL

The County contributes to the Sanilac County Employee Retirement Plan and Trust (the Plan), which is a single-employer public employee retirement systems (PERS). The PERS is considered part of the County of Sanilac financial reporting entity and is included in the County's primary government financial statements as a pension trust fund. A stand-alone financial report for the Plan has not been issued.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED**

On October 1, 1997, the Sanilac County Community Mental Health Authority (the "Authority") was formed as an entity legally separate from Sanilac County. The Authority received separately audited financial statements; however, the pension plan assets and liabilities of the Authority were not transferred from the County's pension plan into a separate plan for the Authority employees. As a result, disclosures related to the County's pension plan remain presented as a single employer plan; however, information regarding the benefit provisions, pension costs, and pension obligation is reported net of the Authority. That is, the numbers presented for the aforementioned items relate only to Sanilac County employees.

All active employees working at least 1,000 hours per year, who agree to make mandatory contributions as specified by the Plan document, (except for certain participants) become a participant on the date of hire. At least 50% of the participant's compensation must come from County funds and the participant must be an employee of the County for Plan A, an employee of the Health Department for Plan B, an employee of the Parks Department for Plan C, an employee of the Sheriff Department for Plan E, and an employee of the Medical Care Facility for Plan F.

Membership of the plan consisted of the following at December 31, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	136
Inactive plan members	47
Active plan members	<u>401</u>
Total	<u><u>584</u></u>

NORMAL RETIREMENT BENEFIT**Eligibility**

Benefits vest after ten (10) years of service for employees hired after the year 2000. General County and Parks Department employees may retire at age fifty-five (55) with the completion of twenty-five (25) years of credited service. Sheriff department employees may retire at age fifty (50) with completion of twenty-five (25) years of credited service. All other plan employees may retire at age sixty (60) with at least eight (8) years of credited service.

Benefit

Average compensation means compensation converted to a monthly amount and then averaged over the five consecutive total of years of service, which produce the highest monthly average within the last ten completed years of employment.

The normal retirement benefit for the Sheriff's Department bargaining unit, County Sheriff and County Under-Sheriff is calculated based upon 2.5% of average compensation multiplied by total years of credited service. The normal retirement benefit for elected and appointed officials is calculated based on 2.1% of average compensation multiplied by total years of credited service. The normal retirement benefit for other County personnel is calculated based upon 2% of average compensation multiplied by total years of credited service.

Accrued benefit is payable immediately without any actuarial reductions in monthly benefit. Accrued benefit is defined as a percentage of the benefit projected at normal retirement, which accrues for each year of service a participant is in the plan.

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

DISABILITY BENEFIT

Eligibility

Plan participants who are totally and permanently disabled and have ten (10) years of credited service may receive benefits.

Benefit

Computed in the same manner as Normal Retirement Benefit and then reduced for an early retirement start date.

PRE-RETIREMENT DEATH BENEFIT

Eligibility

Death before retirement after completion of eight (8) years of credited service.

Benefit

Computed in the same manner as Normal Retirement Benefit based on credited service at date of death. Benefit is payable to the beneficiary for a period not to exceed 120 months.

These benefit provisions and all other requirements were established and may be amended by the County Board of Commissioners.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period they are due. The County's contributions to the Plan are recognized when due and they have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Valuation of Investments

Marketable securities are stated at aggregate fair value. Securities that are traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan's year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price.

The differences between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the Statement of Changes in Plan Net Assts as net appreciation or depreciation in the fair value of investments.

Administrative Expenses

The Plan is administered by Sanilac County. The County has hired a third party to perform many of the administrative functions of the Plan. Administrative expenses, such as trustee fees, investment counseling, and actuarial fees, are paid by the Plan.

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the Sanilac County Retirement Board. Members of the Public Health and Medical Care Facility groups, as well as POAM/COAM members hired after December 31, 1999, and District and Probate Court members hired after May 31, 2002, are required to contribute 5% of their annual covered salary. Members of the General Union and Friend of the Court hired after June 30, 2002, are required to contribute 3.75% of their annual salary. The County is required to contribute at an actuarially determined rate.

Annual Pension Cost and Net Pension Obligation

The County's annual pension costs and net pension obligation for the current year were as follows:

Net pension asset (obligation), beginning of year (restated)	\$(491,565)
Annual pension cost (required contribution)	(1,331,749)
Contributions made	<u>1,297,392</u>
 Net pension asset (obligation), end of year	 <u><u>\$(525,922)</u></u>

The annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the individual entry age actuarial cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 5% per year, compounded annually for inflation and merit and longevity pay ranging from 0 to 3.7%, and (c) the assumption that benefits will not increase after retirement.

The unfunded actuarial accrued liability is amortized as a level percent of payroll on a closed basis with a remaining amortization period of 20 years. The actuarial value of assets is determined by adding contributions and regular investment income to valuation assets at the beginning of the year and reducing that amount by benefit payments and administrative expenses. This preliminary value is then adjusted by 20% of the fair value gains and losses for each of the last 5 years.

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll</u>
12/31/02	\$ 21,318,386	\$ 29,313,364	\$ 7,994,928	72.7 %	\$ 11,747,531	68.1 %
12/31/03	22,943,915	32,123,989	9,180,074	71.4 %	12,511,291	73.4 %
12/31/04	25,697,666	35,505,649	9,807,983	72.4 %	13,087,247	74.9 %

NOTE: Amounts presented above include information for the Sanilac County Mental Health Authority. Separate information for the County and the Authority were not available.

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended Dec. 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 1,147,267	102.4 %	\$(479,161)
2004	1,215,250	99.0 %	(491,565)
2005	1,331,749	97.4 %	(525,922)

RETIREMENT SYSTEM - ROAD COMMISSION

PLAN DESCRIPTION

The Road Commission has a master single employer defined contribution plan called The Sanilac County Money Purchase Plan. This defined contribution plan is administered by Pension Plan Service, Inc. and is available to all employees of the Road Commission. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and the forfeitures of other participant's account. All employees who are at least 21 years old and have completed six months of service are eligible to participate.

Plan provisions require that the Road Commission contribute 8 percent of each active participant's compensation and do not allow for participant contributions. The Road Commission's contributions for each employee (and earnings allocated to the employee's account) are vested at the rate of 20 percent upon completing 2 years of service, plus an additional 20 percent for each year of the next 4 years of service. Road Commission contributions for and interest forfeited by employees who leave employment before full vesting are used to reduce the Road Commission's current period contribution requirement. The plan uses the accrual basis of accounting with investments stated at market.

The Road Commission's total payroll for the year ended December 31, 2005, was \$2,630,616. The Road Commission's contributions were calculated using the covered compensation amount of \$2,569,538. The Road Commission made the required contribution amounting to \$205,563.

NOTE I: RISK MANAGEMENT

PRIMARY GOVERNMENT

The County is self-insured for comprehensive liability, motor vehicle physical damage and comprehensive, property and crime coverage through the Michigan Municipal Risk Management Authority (the Authority). All other types of risk of loss are covered through commercial insurance.

All liability claims up to \$100,000 per claim are paid from the net contribution account of the County held by the Authority. In addition, after meeting certain deductible requirements, all vehicle claims up to \$15,000 per vehicle and up to \$30,000 per occurrence and property and crime claims up to \$10,000 are also paid from the County's contribution account. The Authority is responsible for any claims in excess of the above amounts up to a maximum limit of \$10,000,000.

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I: RISK MANAGEMENT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

The County's insurance administrator may make additional assessments to its member participants based upon the results of insurance pools operations. There were not reductions in the County's insurance coverage from the prior year. The County's policy is to recognize the annual contribution to the Authority as an expenditure of the General Fund and Motor Pool Internal Service Fund.

In accordance with Governmental Accounting Standards Board Statement No. 10, the County determines an estimated claims liability that includes expected losses from reported claims and an amount for incurred but not reported claims. The County relies on their insurance administrator's calculations of both types of claim liabilities. The County has determined the estimated claims liability net of a cash balance in the Retention Fund to be immaterial.

COMPONENT UNIT

Road Commission

Sanilac County Road Commission is member of the Michigan County Road Commission Self Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protections, claims administration and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

Sanilac County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission also has self-insurance for worker's compensation as a member of the County Road Association Self-insurance Fund. The Road Commission's employee medical benefits insurance is purchased through Blue Cross and Blue Shield.

At December 31, 2005, there were no claims that exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years.

NOTE J: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE J: CONTINGENT LIABILITIES - CONTINUED

In the normal course of operations, there are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County management and legal counsel to be immaterial.

A substantial portion of the Medical Care Facility and Health Department's total patient revenues are for services provided to Medicare and Medicaid patients. Payments for these services are based upon allowable services and costs incurred and are subject to final audit by the intermediaries.

NOTE K: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31.

Although the County's 2005 ad valorem tax is levied and collectible on December 31, 2005, it has been the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of County operations. However, for the County's 2005 tax levy, one third of the General Fund ad valorem tax was levied in the summer of 2005 and recognized as revenue in 2005. Two thirds of the General Fund ad valorem tax was levied in December 2005, and one half of this amount has been recognized as revenue in the Revenue Sharing Fund per State statute.

The 2005 taxable value of Sanilac County amounted to \$1,252,917,092 on which ad valorem taxes levied consisted of 4.0710 mills for general operations, .1984 mills for Council on Aging, .1984 mills for Ambulance services, and 1.9065 mills for the Roads, .4847 mills for drug law enforcement, .1938 mills for Parks, .1984 mills for County Library, .124 mills for Veterans, and .1984 mills for MCF maintenance of effort.

The property taxes levied at December 1 are accrued as current taxes receivable with the appropriate deferral and are budgeted as revenue in the subsequent year in the General Fund and applicable Special Revenue Funds, with the exception of the amounts recognized as revenue in 2005 as described above.

Taxes are collected by the various tax collecting units from the date of the levy to December 31, and remitted to the County through the Trust and Agency Fund for distribution to the General and Special Revenue Funds. These amounts have been reported as undistributed collections in the Trust and Agency Fund.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1, and records a corresponding delinquent taxes receivable. Real property taxes not ultimately collected are charged back to the General, Special Revenue, and Debt Service Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material and, as a result, there has been no establishment of an amount for uncollectible taxes receivable in any of the funds. This activity is accounted for in the Delinquent Tax Revolving Funds.

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the financial statements, the County's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

During the year ended December 31, 2005, the County incurred expenditures in the General Fund and two (2) major Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Health and Welfare			
MSHDA grant program	\$ -	\$ 454,545	\$ 454,545
Special Revenue Funds			
Health Department Fund	1,878,252	2,007,883	129,631

The variance in the General Fund (Health and Welfare) is due to an audit entry to record the gross revenue and expenditure related to grant fund activity passed through to a subrecipient.

NOTE M: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance which the County has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2005:

PRIMARY GOVERNMENT

General Fund

Reserved for prepaids	\$ 1,953
Reserved for advances to other funds	<u>122,539</u>

124,492

Health Department

Reserved for prepaids	33,339
-----------------------	--------

Sheriff

Reserved for prepaids	2,685
-----------------------	-------

Other Non-Major Funds

Special Revenue Funds

Drug Enforcement Unit

Reserved for prepaids	3,572
-----------------------	-------

Friend of the Court

Reserved for prepaids	4,451
-----------------------	-------

Veterans Millage

Reserved for prepaids	887
-----------------------	-----

C.O.P.S. Grant

Reserved for prepaids	898
-----------------------	-----

Secondary Road Patrol

Reserved for prepaids	382
-----------------------	-----

Crime Victim's Rights

Reserved for prepaids	32
-----------------------	----

Child Care

Reserved for prepaids	360
-----------------------	-----

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE M: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Other Non-Major Funds - continued

Special Revenue Funds - continued

Parks and Recreation

Reserved for prepaids

\$ 2,721

Sheriff Commissary

Reserved for prepaids

16,634

Debt Service Funds

Building Authority

Reserved for debt service

1,529

Health Department Building

Reserved for debt service

17,549

Jail Building

Reserved for debt service

3

Medical Care Facility Building

Reserved for debt service

18,542

Total Non-Major Funds

67,560

TOTAL PRIMARY GOVERNMENT

\$ 228,076

The following are fund balance designations as of December 31, 2005:

PRIMARY GOVERNMENT

Other Non-Major Funds

Special Revenue Funds

Central Dispatch

Designated for 911 wireless activities

200,484

TOTAL PRIMARY GOVERNMENT

\$ 200,484**NOTE N: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

The following are the various net asset restrictions as of December 31, 2005:

PRIMARY GOVERNMENT

Governmental Activities

Restricted for capital improvements

Equipment

\$ 24,661

Restricted for debt service

Building Authority

1,529

Health Department Building

17,549

Jail Building

3

Medical Care Facility Building

18,542

37,623

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE N: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Governmental Activities - continued

Restricted for other purposes

General Government

Revenue Sharing Reserve	\$ 1,885,109
Register of Deeds - Automation	48,492
County Library	723
Homestead Property Tax	170
Public Communications	<u>562</u>

1,935,056

Judicial

Friend of the Court	4,451
Family Counseling	28,157
Law Library	116
Crime Victim's Rights	<u>605</u>

33,329

Public Works

Soil Erosion and Sedimentation	5,130
Environmental Trust	30,794
Solid Waste Grant	3,683
Material Recovery	41,804
Public Improvement	<u>1</u>

81,412

Public Safety

Sheriff	24,901
Drug Enforcement Unit	49,767
Hunters Safety	3,008
Law Enforcement	2,964
C.O.P.S. Grant	19,189
Shooting Target Range	5,517
Drug Law Enforcement	106,902
Secondary Road Patrol	1,825
Contractual Patrol	818
U.S. Marshall	24,055
Byrne Memorial	4,857
Michigan Justice Training	8,187
Sheriff Commissary	24,817
Central Dispatch	200,484
Domestic Violence Work	131,828
Jail Maintenance	<u>1,764</u>

610,883

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE N: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Governmental Activities - continued

Restricted for other purposes - continued

Health and Welfare

Health Department	\$ 15,986
County Ambulance	366
Veterans Millage	5,103
Revolving Loan	495,380
Strong Families Project	9,508
Children's Trust	6,055
Child Care Grant	1,920
F.I.A.	36,843
Child Care	94,262
Veterans Trust	335
Maintenance of Effort	60,003
Senior Citizen Council on Aging	19,295
Great Parent/Great Start	<u>144</u>

745,200

Recreation and Cultural

Parks and Recreation	25,390
Forester Park Water	<u>14,159</u>

39,549

Total restricted for other purposes

3,445,429

Total Governmental Activities

\$ 3,507,713

COMPONENT UNITS

Restricted for capital improvements

Drainage Districts

Regular Drains	\$ 605,936
Maintenance Revolving	116,768
Elk Creek	103,613
Middle & Branches	72,664
Dwight & Branches	74,553
White Rock	49,633
Potts & Branches	110,272
Black River	331,354
Duff & Branches	346,634
E. Branch & Speaker	110,930
Stone	<u>37,348</u>

1,959,705

Board of Public Works

Brown City Water Tower	12,305
Carsonville Water	1
Worth Phase II Water	<u>5,434</u>

17,740

1,977,445

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE N: RESTRICTED NET ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

Restricted for debt service

Drainage Districts

Turtle Creek

\$ 172,696

White Rock

39,393

Duff & Branches

708,628

Regular Drains

371,669

Stone Drain

150,412

1,442,798

Board of Public Works

Worth Phase II Water

1,365

Lex. Worth Water

1691,534

1,444,332

Restricted for other purposes

Road Commission

Restricted for road projects

1,460,492

TOTAL COMPONENT UNITS

\$ 4,882,269**NOTE O: FUND DEFICIT**

The following fund had an unreserved fund deficit at December 31, 2005.

FundDeficit Amount

Health Department

\$ 17,353

NOTE P: POST-EMPLOYMENT HEALTH BENEFITS

PRIMARY GOVERNMENT

In addition to the pension benefits described in Note H, the County provides post-retirement health care benefits, in accordance with union contracts and board resolution, to elected and appointed officials and to members of certain union groups. The County reimburses 100% of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. Retirees eligible to participate in the health insurance plan who elect not to participate receive 50% of the annual premium cost in lieu of health coverage.

The County has established an Internal Service Fund to account for funding and payments related to this activity. During the year ended December 31, 2005, the fund had reimbursement revenues of \$53,156 and the County also transferred \$163,782 to this fund. The County paid \$198,660 in expenses related to this activity.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE P: POST-EMPLOYMENT HEALTH BENEFITS - CONTINUED

COMPONENT UNIT

Sanilac County Road Commission provides hospitalization medical coverage on a complimentary basis for any employee who retires after January 1, 1990, at age 55 with at least thirty years of service. At age 65, the employee receives supplemental coverage for himself or herself only.

For any employee who retires after age 62 and after January 1, 1990, Sanilac County Road Commission provides the retiree and his or her spouse with hospitalization medical coverage, provided however, that if the retiree's spouse, by virtue of his or her employment or otherwise, has the retiree as a covered beneficiary on his or her hospitalization medical coverage, the Road Commission will be under no obligation to provide coverage. At age 65 the retiree and or spouse coverage will be supplemental only.

The benefits are provided based on requirements of union contracts and are financed on a pay-as-you-go basis. For the year ended December 31, 2005, Sanilac County Road Commission expended \$284,106 for 34 participants currently eligible to receive benefits.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 4,704,770	\$ 4,731,770	\$ 4,790,493	\$ 58,723
Other property taxes	5,000	5,000	7,582	2,582
Industrial & commercial facilities tax	11,700	16,800	15,723	(1,077)
Penalties & interest on taxes	1,000	1,250	2,982	1,732
Real estate transfer tax	135,000	161,900	161,905	5
Total taxes	4,857,470	4,916,720	4,978,685	61,965
Licenses and permits				
Dog licenses	76,800	96,282	97,842	1,560
Inspection and land use permits	335,350	344,150	346,609	2,459
Other licenses and permits	6,175	6,175	7,101	926
Total licenses and permits	418,325	446,607	451,552	4,945
Intergovernmental - Federal/State				
Emergency management	26,239	26,239	24,237	(2,002)
Judges state standardization payment	137,172	137,172	137,172	-0-
Probate Judge's Salary	103,530	103,530	101,801	(1,729)
Juvenile Court Admin. Supplement	27,317	27,317	27,317	-0-
State aid - case flow assistance	12,500	11,661	11,661	-0-
State grant - court equity	205,000	205,000	204,595	(405)
Cooperative reimbursement - Prosecutor	69,187	48,087	48,160	73
MSHDA grant	-	-	454,545	454,545
Cigarette tax revenue	20,000	27,846	27,846	-0-
Voter registration applications	500	500	510	10
State revenue sharing	716,100	-	-	-0-
Single business tax	91,900	-	-	-0-
Liquor law enforcement	3,500	3,500	5,133	1,633
Homeland security grant	327,007	151,007	151,629	622
Convention facility tax	84,000	103,900	103,906	6
Other State revenues	3,550	6,717	8,451	1,734
Total intergovernmental - Federal/State	1,827,502	852,476	1,306,963	454,487

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services				
Circuit court costs	\$ 32,000	\$ 25,400	\$ 25,309	\$ (91)
District Court services	3,000	7,600	7,607	7
District court costs	512,000	503,100	500,678	(2,422)
Prosecuting attorney services	750	750	1,200	450
Register of deeds services	261,845	253,045	253,033	(12)
Register of deeds - technology	80,000	70,000	68,085	(1,915)
General services	143,100	143,100	178,046	34,946
County treasurer services	2,700	2,700	3,165	465
Circuit court services	750	9,250	13,148	3,898
County clerk services	66,000	75,300	75,326	26
Probate court services	15,500	15,500	19,044	3,544
Juvenile court services	21,600	21,600	15,535	(6,065)
Animal shelter services	7,000	7,000	5,851	(1,149)
Sheriff department services	81,500	111,762	120,360	8,598
Inmate work release	64,500	64,500	47,564	(16,936)
Diverted felons	50,000	50,000	46,284	(3,716)
Care of prisoners	999,000	1,016,824	1,071,947	55,123
Equalization services	2,000	2,000	2,124	124
Data processing services	68,500	76,200	74,986	(1,214)
Other	4,900	32,597	34,732	2,135
Total charges for services	2,416,645	2,488,228	2,564,024	75,796
Interest and rents				
Interest on investments	34,050	113,650	112,095	(1,555)
Rental fees - Mental Health	123,516	123,516	123,516	-0-
Rental fees - other	11,960	11,960	12,260	300
Total interest and rents	169,526	249,126	247,871	(1,255)
Fines and forfeits				
Ordinance fines and costs	21,500	21,500	21,999	499
Bond forfeitures	19,500	19,500	18,370	(1,130)
Total fines and forfeits	41,000	41,000	40,369	(631)
Other				
Insurance recoveries and refunds	20,000	39,070	39,070	-0-
Reimbursements and refunds	179,740	314,020	313,043	(977)
Total other	199,740	353,090	352,113	(977)
TOTAL REVENUES	9,930,208	9,347,247	9,941,577	594,330

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Operating transfers from other funds				
Environmental Trust	\$ 137,550	\$ 178,150	\$ 178,150	\$ -0-
Revenue Sharing Reserve	-	801,072	801,072	-0-
Tax Foreclosure	38,500	32,700	32,613	(87)
Other funds	36,564	56,782	53,983	(2,799)
Total operating transfers from other funds	212,614	1,068,704	1,065,818	(2,886)
Operating transfers from component units				
Drainage Districts	42,000	42,138	43,311	1,173
TOTAL OTHER FINANCING SOURCES	254,614	1,110,842	1,109,129	(1,713)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$10,184,822</u>	<u>\$ 10,458,089</u>	<u>\$ 11,050,706</u>	<u>\$ 592,617</u>

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Legislative				
Board of Commissioners	\$ 90,344	\$ 90,344	\$ 89,416	\$ 928
General government				
Consultant	95,097	95,097	93,272	1,825
Administrator	103,912	110,112	109,970	142
Legal	11,027	20,297	20,289	8
Election	25,521	40,297	39,895	402
Community action	900	1,124	1,010	114
Human Resources	44,995	44,995	44,595	400
Clerk	270,868	273,902	261,670	12,232
Equalization	77,713	68,080	61,057	7,023
Prosecuting Attorney	311,905	314,902	308,791	6,111
Register of Deeds	107,131	110,131	99,421	10,710
Treasurer	184,357	184,357	177,524	6,833
Cooperative extension	115,803	156,690	152,450	4,240
Courthouse and grounds	162,965	239,448	239,441	7
Drain commission	124,381	132,458	130,893	1,565
Total general government	1,636,575	1,791,890	1,740,278	51,612
Judicial				
Adult probation	6,824	6,824	4,731	2,093
Circuit Court	215,946	215,946	207,313	8,633
Circuit Court - Juvenile	205,507	205,507	162,055	43,452
District Court	356,444	363,706	352,377	11,329
Jury Board	5,482	5,482	4,776	706
Probate Court	194,573	194,573	192,994	1,579
Public guardian	51,306	51,306	47,592	3,714
Total judicial	1,036,082	1,043,344	971,838	71,506
Public safety				
Emergency management	369,855	200,455	194,265	6,190
Construction and land use	156,200	165,585	164,580	1,005
Planning commission	1,945	1,945	1,128	817
Animal control	82,359	126,362	126,353	9
Total public safety	610,359	494,347	486,326	8,021
Public works				
Department of public works	1,663	3,728	1,873	1,855
Drains - County at large	210,000	210,000	200,934	9,066
Total public works	211,663	213,728	202,807	10,921

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Health and welfare				
Contagious Disease	\$ 5,627	\$ 5,627	\$ -	\$ 5,627
Mental Health	250,100	250,100	250,100	-0-
MSHDA housing program	-	-	454,545	(454,545)
Medical examiners	27,483	33,783	33,781	2
Total health and welfare	283,210	289,510	738,426	(448,916)
Other				
Fringe benefits	1,131,689	1,224,956	1,164,790	60,166
Contingencies	250,000	614,564	-	614,564
Total other	1,381,689	1,839,520	1,164,790	674,730
TOTAL EXPENDITURES	5,249,922	5,762,683	5,393,881	368,802
OTHER FINANCING USES				
Operating transfers to other funds				
Friend of the Court Fund	72,840	81,920	81,920	-0-
Workers Compensation Fund	90,000	67,884	67,884	-0-
Insurance Fund	1,284,141	1,285,178	1,285,178	-0-
Employee Health Care Fund	183,782	163,782	163,782	-0-
Law Library Fund	19,796	32,496	32,496	-0-
Data Processing Fund	259,494	189,494	189,494	-0-
Building Authority - Jail Building Debt Fun	107,400	107,650	107,650	-0-
Health Department Fund	166,574	181,671	181,034	637
Child Care - F.I.A. Fund	23,030	53,030	53,030	-0-
Child Care - Probate Court Fund	423,656	381,828	381,828	-0-
Sheriff Fund	2,446,500	2,502,143	2,502,143	-0-
F.I.A Administration Fund	1,985	1,985	1,985	-0-
Mail Department Fund	2,802	2,802	2,802	-0-
ROD Automation Fund	80,000	70,000	68,085	1,915
Accumulated Benefits Fund	83,300	83,300	83,300	-0-
Domestic Violence Work Fund	-	131,828	131,828	-0-
Central Dispatch Fund	221,956	221,956	221,956	-0-
Other Funds	-	967	967	-0-
TOTAL OTHER FINANCING USES	5,467,256	5,559,914	5,557,362	2,552
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 10,717,178</u>	<u>\$ 11,322,597</u>	<u>\$ 10,951,243</u>	<u>\$ 371,354</u>

Sanilac County, Michigan

Road Millage Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 2,195,200	\$ 2,251,681	\$ 2,250,823	\$ (858)
Interest and rents	12,000	16,580	16,529	(51)
TOTAL REVENUES	2,207,200	2,268,261	2,267,352	(909)
EXPENDITURES				
Current				
Public Works	2,207,200	2,281,491	2,281,354	137
EXCESS OF REVENUES OVER EXPENDITURES	-0-	(13,230)	(14,002)	(772)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	771	771
Operating transfers out	-	-	-	-0-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	771	771
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(13,230)	(13,231)	(1)
Fund balances, beginning of year	13,231	13,231	13,231	-0-
Fund balances, end of year	\$ 13,231	\$ 1	\$ -0-	\$ (1)

Sanilac County, Michigan

Health Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses and permits	\$ 175,000	\$ 175,000	\$ 133,269	\$ (41,731)
Charges for services	339,166	339,166	315,717	(23,449)
Interest and Rents	-	-	-	-0-
Intergovernmental	1,105,036	1,105,036	1,289,289	184,253
Other	26,992	26,992	42,658	15,666
TOTAL REVENUES	1,646,194	1,646,194	1,780,933	134,739
EXPENDITURES				
Current				
Health and welfare	1,855,733	1,855,733	1,973,743	(118,010)
Capital outlay	22,519	22,519	34,140	(11,621)
TOTAL EXPENDITURES	1,878,252	1,878,252	2,007,883	(129,631)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(232,058)	(232,058)	(226,950)	5,108
OTHER FINANCING SOURCES (USES)				
Operating transfers in	162,434	162,434	188,860	26,426
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(69,624)	(69,624)	(38,090)	31,534
Fund balance, beginning of year	54,076	54,076	54,076	-0-
Fund balance (deficit), end of year	\$ (15,548)	\$ (15,548)	\$ 15,986	\$ 31,534

Sanilac County, Michigan

Sheriff Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 13,500	\$ 43,184	\$ 36,585	\$ (6,599)
Other	-	-	-	-0-
TOTAL REVENUES	13,500	43,184	36,585	(6,599)
EXPENDITURES				
Current				
Public safety	<u>2,554,356</u>	<u>2,623,943</u>	<u>2,593,780</u>	<u>30,163</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,540,856)	(2,580,759)	(2,557,195)	23,564
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,539,000	2,583,177	2,583,178	1
Operating transfers out	<u>(12,000)</u>	<u>(16,275)</u>	<u>(14,939)</u>	<u>1,336</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,527,000</u>	<u>2,566,902</u>	<u>2,568,239</u>	<u>1,337</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(13,856)	(13,857)	11,044	24,901
Fund balance, beginning of year	<u>13,856</u>	<u>13,856</u>	<u>13,857</u>	<u>1</u>
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ (1)</u>	<u>\$ 24,901</u>	<u>\$ 24,902</u>

Sanilac County, Michigan

Revenue Sharing Reserve Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,599,083	\$ 1,599,083	\$ 1,599,083	\$ -0-
Interest and Rents	<u>6,600</u>	<u>6,600</u>	<u>6,747</u>	<u>147</u>
TOTAL REVENUES	1,605,683	1,605,683	1,605,830	147
EXPENDITURES	<u>1,884,962</u>	<u>1,884,962</u>	<u>-</u>	<u>1,884,962</u>
EXCESS OF REVENUES OVER EXPENDITURES	(279,279)	(279,279)	1,605,830	(1,884,815)
OTHER FINANCING (USES)				
Operating transfers out	<u>(801,072)</u>	<u>(801,072)</u>	<u>(801,072)</u>	<u>-0-</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(1,080,351)	(1,080,351)	804,758	(1,884,815)
Fund balance, beginning of year	<u>1,080,351</u>	<u>1,080,351</u>	<u>1,080,351</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,885,109</u>	<u>\$ (1,884,815)</u>



OTHER SUPPLEMENTARY INFORMATION

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2005

	Drug Enforcement Unit	Special County Ambulance	Friend of the Court
ASSETS			
Cash and cash equivalents	\$ 142,489	\$ 24,175	\$ (93,212)
Accounts receivable	2,992	-	-
Taxes receivable	601,940	246,566	-
Loans receivable	-	-	-
Prepaid expenditures	3,572	-	4,451
Due from other funds	-	-	-
Due from other governmental units	-	-	99,261
TOTAL ASSETS	\$ 750,993	\$ 270,741	\$ 10,500
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 24,947	\$ -	\$ 1,400
Accrued payroll	12,005	-	4,649
Other accrued liabilities	-	-	-
Due to other funds	4,111	-	-
Advance from State	-	-	-
Deferred revenue	660,163	270,375	-
TOTAL LIABILITIES	701,226	270,375	6,049
FUND BALANCES			
Reserved for			
Inventory and prepaids	3,572	-	4,451
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	46,195	366	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	49,767	366	4,451
TOTAL LIABILITIES AND FUND BALANCES	\$ 750,993	\$ 270,741	\$ 10,500

Revenue					
Family Counseling	Central Dispatch	Homestead Property Tax	Soil Erosion/ Sedimentation	Environmental Trust	Solid Waste Grant
\$ 28,157	\$ 164,945	\$ 170	\$ 5,130	\$ (6,645)	\$ 3,733
-	50,136	-	-	37,439	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 28,157</u>	<u>\$ 215,081</u>	<u>\$ 170</u>	<u>\$ 5,130</u>	<u>\$ 30,794</u>	<u>\$ 3,733</u>
\$ -	\$ 4,726	\$ -	\$ -	\$ -	\$ 50
-	9,871	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	14,597	-0-	-0-	-0-	50
-	-	-	-	-	-
-	-	-	-	-	-
-	200,484	-	-	-	-
28,157	-	170	5,130	30,794	3,683
-	-	-	-	-	-
<u>28,157</u>	<u>200,484</u>	<u>170</u>	<u>5,130</u>	<u>30,794</u>	<u>3,683</u>
<u>\$ 28,157</u>	<u>\$ 215,081</u>	<u>\$ 170</u>	<u>\$ 5,130</u>	<u>\$ 30,794</u>	<u>\$ 3,733</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Material Recovery	Special Sanilac Transportation	Public Communications
ASSETS			
Cash and cash equivalents	\$ 39,359	\$ -	\$ 562
Accounts receivable	3,458	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
TOTAL ASSETS	\$ 42,817	\$ -0-	\$ 562
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 702	\$ -	\$ -
Accrued payroll	311	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	1,013	-0-	-0-
FUND BALANCES			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	41,804	-	562
Capital projects funds	-	-	-
TOTAL FUND BALANCES	41,804	-0-	562
TOTAL LIABILITIES AND FUND BALANCES	\$ 42,817	\$ -0-	\$ 562

Revenue					
Hunter's Safety	Public Improvement	Great Parents Great Start	Reg. of Deeds- Automation	Veterans Millage	Law Enforcement
\$ 3,008	\$ 1	\$ (2,564)	\$ 48,492	\$ 23,621	\$ 2,964
-	-	-	-	-	-
-	-	-	-	152,973	-
-	-	-	-	-	-
-	-	-	-	887	-
-	-	-	-	-	-
-	-	4,343	-	-	-
<u>\$ 3,008</u>	<u>\$ 1</u>	<u>\$ 1,779</u>	<u>\$ 48,492</u>	<u>\$ 177,481</u>	<u>\$ 2,964</u>
\$ -	\$ -	\$ 1,635	\$ -	\$ 1,371	\$ -
-	-	-	-	1,104	-
-	-	-	-	-	-
-	-	-	-	2,056	-
-	-	-	-	-	-
-	-	-	-	167,847	-
-0-	-0-	1,635	-0-	172,378	-0-
-	-	-	-	887	-
-	-	-	-	-	-
-	-	-	-	-	-
3,008	1	144	48,492	4,216	2,964
-	-	-	-	-	-
<u>3,008</u>	<u>1</u>	<u>144</u>	<u>48,492</u>	<u>5,103</u>	<u>2,964</u>
<u>\$ 3,008</u>	<u>\$ 1</u>	<u>\$ 1,779</u>	<u>\$ 48,492</u>	<u>\$ 177,481</u>	<u>\$ 2,964</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	C.O.P.S. Grant	Special Shooting and Target Range	Drug Law Enforcement
ASSETS			
Cash and cash equivalents	\$ 16,935	\$ 5,727	\$ 106,887
Accounts receivable	2,917	-	15
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	332	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
TOTAL ASSETS	\$ 20,184	\$ 5,727	\$ 106,902
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 210	\$ -
Accrued payroll	995	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	995	210	-0-
FUND BALANCES			
Reserved for			
Inventory and prepaids	332	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	18,857	5,517	106,902
Capital projects funds	-	-	-
TOTAL FUND BALANCES	19,189	5,517	106,902
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,184	\$ 5,727	\$ 106,902

Revenue					
Secondary Road Patrol	Contractual Patrol	Domestic Violence Work	U.S. Marshall	Law Library	County Library
\$ (40,840)	\$ (10,899)	\$ 131,828	\$ 9,075	\$ 3,385	\$ 24,492
-	11,825	-	16,980	-	-
-	-	-	-	-	241,716
-	-	-	-	-	-
898	-	-	-	-	-
-	-	-	-	-	-
43,761	-	-	-	-	-
<u>\$ 3,819</u>	<u>\$ 926</u>	<u>\$ 131,828</u>	<u>\$ 26,055</u>	<u>\$ 3,385</u>	<u>\$ 266,208</u>
\$ -	\$ -	\$ -	\$ 41	\$ 3,269	\$ 189
1,994	108	-	1,959	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	265,296
1,994	108	-0-	2,000	3,269	265,485
898	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
927	818	131,828	24,055	116	723
-	-	-	-	-	-
1,825	818	131,828	24,055	116	723
<u>\$ 3,819</u>	<u>\$ 926</u>	<u>\$ 131,828</u>	<u>\$ 26,055</u>	<u>\$ 3,385</u>	<u>\$ 266,208</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

		Special	
	Crime Victims Rights	Community Corrections	Remonumentation Program
ASSETS			
Cash and cash equivalents	\$ (12,100)	\$ (23,729)	\$ (54,575)
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	32	-	-
Due from other funds	-	-	-
Due from other governmental units	13,239	23,729	54,575
TOTAL ASSETS	<u>\$ 1,171</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	566	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	566	-0-	-0-
FUND BALANCES			
Reserved for			
Inventory and prepaids	32	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	573	-	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>605</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,171</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

		Revenue			
Byrne Memorial	H.S.L.E.S.	Revolving Loan	Strong Families Project	Children's Trust	
\$ 4,857	\$ -	\$ 495,380	\$ 4,933	\$ 9,316	
-	-	-	-	-	
-	-	-	-	-	
-	-	269,028	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	6,596	-	
<u>\$ 4,857</u>	<u>\$ -0-</u>	<u>\$ 764,408</u>	<u>\$ 11,529</u>	<u>\$ 9,316</u>	
\$ -	\$ -	\$ -	\$ 2,021	\$ 3,261	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	269,028	-	-	
-0-	-0-	269,028	2,021	3,261	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
4,857	-	495,380	9,508	6,055	
-	-	-	-	-	
<u>4,857</u>	<u>-0-</u>	<u>495,380</u>	<u>9,508</u>	<u>6,055</u>	
<u>\$ 4,857</u>	<u>\$ -0-</u>	<u>\$ 764,408</u>	<u>\$ 11,529</u>	<u>\$ 9,316</u>	

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Michigan Justice Training	Special Child Care Grant	F.I.A.
ASSETS			
Cash and cash equivalents	\$ 8,187	\$ 1,770	\$ 63,958
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	710	20,885
TOTAL ASSETS	\$ 8,187	\$ 2,480	\$ 84,843
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 560	\$ -
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	48,000
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	560	48,000
FUND BALANCES			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	8,187	1,920	36,843
Capital projects funds	-	-	-
TOTAL FUND BALANCES	8,187	1,920	36,843
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,187	\$ 2,480	\$ 84,843

Revenue				
Child Care	Veterans Trust	Maintenance of Effort	Parks and Recreation	Forester Park Water Fund
\$ 127,396	\$ 335	\$ 116,436	\$ 54,784	\$ 13,759
5,532	-	-	-	400
-	-	246,518	241,575	-
-	-	-	-	-
360	-	-	2,721	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 133,288</u>	<u>\$ 335</u>	<u>\$ 362,954</u>	<u>\$ 299,080</u>	<u>\$ 14,159</u>
\$ 38,173	\$ -	\$ 32,624	\$ 4,463	\$ -
503	-	-	2,611	-
350	-	-	1,785	-
-	-	-	-	-
-	-	-	-	-
-	-	270,327	264,831	-
39,026	-0-	302,951	273,690	-0-
360	-	-	2,721	-
-	-	-	-	-
-	-	-	-	-
93,902	335	60,003	22,669	14,159
-	-	-	-	-
94,262	335	60,003	25,390	14,159
<u>\$ 133,288</u>	<u>\$ 335</u>	<u>\$ 362,954</u>	<u>\$ 299,080</u>	<u>\$ 14,159</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Special Revenue		
	Sheriffs Commissary	Jail Maintenance	Senior Citizen Council on Aging
ASSETS			
Cash and cash equivalents	\$ 10,695	\$ 1,764	\$ 43,816
Accounts receivable	8,865	-	-
Taxes receivable	-	-	246,561
Loans receivable	-	-	-
Prepaid expenditures	16,634	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
TOTAL ASSETS	\$ 36,194	\$ 1,764	\$ 290,377
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 11,377	\$ -	\$ 700
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	270,382
TOTAL LIABILITIES	11,377	-0-	271,082
FUND BALANCES			
Reserved for			
Inventory and prepaids	16,634	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	8,183	1,764	19,295
Capital projects funds	-	-	-
TOTAL FUND BALANCES	24,817	1,764	19,295
TOTAL LIABILITIES AND FUND BALANCES	\$ 36,194	\$ 1,764	\$ 290,377

Capital Project		Debt Service			Total
Equipment	Medical Care Facility	Health Department	Jail Building Fund	Building Authority	Non-major Gov. Funds
\$ 24,661	\$ 18,542	\$ 17,687	\$ 5,503	\$ 1,529	\$ 1,565,879
-	-	-	-	-	140,559
-	-	-	-	-	1,977,849
-	-	-	-	-	269,028
-	-	114,563	-	-	144,450
-	-	-	-	-	-
-	-	-	-	-	267,099
<u>\$ 24,661</u>	<u>\$ 18,542</u>	<u>\$ 132,250</u>	<u>\$ 5,503</u>	<u>\$ 1,529</u>	<u>\$ 4,364,864</u>
\$ -	\$ -	\$ 138	\$ 5,500	\$ -	\$ 137,357
-	-	-	-	-	36,676
-	-	-	-	-	2,135
-	-	-	-	-	6,167
-	-	-	-	-	48,000
-	-	-	-	-	2,438,249
-0-	-0-	138	5,500	-0-	2,668,584
-	-	114,563	-	-	144,450
-	18,542	17,549	3	1,529	37,623
-	-	-	-	-	200,484
-	-	-	-	-	1,289,062
24,661	-	-	-	-	24,661
<u>24,661</u>	<u>18,542</u>	<u>132,112</u>	<u>3</u>	<u>1,529</u>	<u>1,696,280</u>
<u>\$ 24,661</u>	<u>\$ 18,542</u>	<u>\$ 132,250</u>	<u>\$ 5,503</u>	<u>\$ 1,529</u>	<u>\$ 4,364,864</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	Special		
	Drug Task Force	County Ambulance	Friend of the Court
REVENUES			
Taxes	\$ 572,132	\$ 224,772	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	359,291
Charges for services	-	-	47,374
Fines and forfeits	-	-	-
Interest and rents	6,452	1,191	-
Other	475	-	-
TOTAL REVENUES	579,059	225,963	406,665
EXPENDITURES			
Current			
Judicial	-	-	489,495
Public safety	584,184	-	-
Public works	-	-	-
Health and welfare	-	227,891	-
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	584,184	227,891	489,495
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,125)	(1,928)	(82,830)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	55,726	-	81,920
Operating transfers out	(50,599)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	5,127	-0-	81,920
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	2	(1,928)	(910)
Fund balances, beginning of year	49,765	2,294	5,361
Fund balances, end of year	\$ 49,767	\$ 366	\$ 4,451

Revenue

Family Counseling	Central Dispatch	Homestead Property Tax	Soil Erosion/ Sedimentation	Environmental Trust	Solid Waste Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,390	-	-	21,375	-	-
-	4,588	-	-	-	-
-	332,165	-	-	152,463	-
-	-	-	-	-	-
-	8,476	-	-	-	-
-	-	-	-	-	-
4,390	345,229	-0-	21,375	152,463	-0-
342	-	-	-	-	-
-	499,788	-	-	-	-
-	-	-	14,109	24,255	150
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
342	499,788	-0-	14,109	24,255	150
4,048	(154,559)	-0-	7,266	128,208	(150)
-	221,956	-	-	-	-
-	(10,467)	-	(9,385)	(178,150)	-
-0-	211,489	-0-	(9,385)	(178,150)	-0-
4,048	56,930	-0-	(2,119)	(49,942)	(150)
24,109	143,554	170	7,249	80,736	3,833
\$ 28,157	\$ 200,484	\$ 170	\$ 5,130	\$ 30,794	\$ 3,683

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	Material Recovery	Sanilac Transportation	Public Communications
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	2,400	517,857	-
Charges for services	77,313	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	79,713	517,857	-0-
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	80,516	517,857	-
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	210	-	-
TOTAL EXPENDITURES	80,726	517,857	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,013)	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(180)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(180)	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,193)	-0-	-0-
Fund balances, beginning of year	42,997	-	562
Fund balances, end of year	\$ 41,804	\$ -0-	\$ 562

Revenue

Hunter's Safety	Public Improvement	Great Parents Great Start	Reg. of Deeds- Automation	Veterans Millage	Law Enforcement
\$ -	\$ -	\$ -	\$ -	\$ 146,295	\$ -
-	-	-	-	-	-
-	-	17,003	-	-	-
-	-	-	-	92	-
-	-	-	-	-	-
-	-	-	967	1,890	136
-	-	-	-	165	-
-0-	-0-	17,003	967	148,442	136
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	16,859	-	162,987	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	767	-	-
-0-	-0-	16,859	767	162,987	-0-
-0-	-0-	144	200	(14,545)	136
-	-	-	68,085	1,000	-
-	-	-	(31,701)	(3,652)	(2,853)
-0-	-0-	-0-	36,384	(2,652)	(2,853)
-0-	-0-	144	36,584	(17,197)	(2,717)
3,008	1	-	11,908	22,300	5,681
\$ 3,008	\$ 1	\$ 144	\$ 48,492	\$ 5,103	\$ 2,964

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	C.O.P.S. Grant	Shooting and Target Range	Drug Law Enforcement
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	55,417	-	-
Charges for services	-	13,147	6,818
Fines and forfeits	-	-	6,602
Interest and rents	-	-	4,438
Other	-	-	624
TOTAL REVENUES	55,417	13,147	18,482
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	66,542	14,721	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	66,542	14,721	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,125)	(1,574)	18,482
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	(55,530)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	(55,530)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(11,125)	(1,574)	(37,048)
Fund balances, beginning of year	30,314	7,091	143,950
Fund balances, end of year	\$ 19,189	\$ 5,517	\$ 106,902

Revenue

Secondary Road Patrol	Contractual Patrol	Domestic Violence Work	U.S. Marshall	Law Library	County Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 229,432
-	-	-	-	-	-
141,864	23,461	-	186,036	-	-
-	-	-	-	-	-
-	-	-	-	4,500	4,062
-	-	-	-	-	-
-	-	-	-	-	-
141,864	23,461	-0-	186,036	4,500	233,494
-	-	-	-	31,694	-
147,353	23,959	-	160,980	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	233,536
-	-	-	-	-	-
-	-	-	-	-	-
147,353	23,959	-0-	160,980	31,694	233,536
(5,489)	(498)	-0-	25,056	(27,194)	(42)
4,401	-	131,828	-	32,496	-
(4,401)	-	-	(35,538)	(5,200)	-
-0-	-0-	131,828	(35,538)	27,296	-0-
(5,489)	(498)	131,828	(10,482)	102	(42)
7,314	1,316	-	34,537	14	765
\$ 1,825	\$ 818	\$ 131,828	\$ 24,055	\$ 116	\$ 723

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	Crime Victims Rights	Community Corrections	Remonumentation Program
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	53,525	39,320	156,548
Charges for services	-	14,632	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	53,525	53,952	156,548
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	50,789	49,091	-
Public works	-	-	-
Health and welfare	-	-	145,730
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	50,789	49,091	145,730
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,736	4,861	10,818
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	1,204	-
Operating transfers out	(2,629)	(8,104)	(10,818)
TOTAL OTHER FINANCING SOURCES (USES)	(2,629)	(6,900)	(10,818)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	107	(2,039)	-0-
Fund balances, beginning of year	498	2,039	-
Fund balances, end of year	\$ 605	\$ -0-	\$ -0-

Revenue				
Byrne Memorial	H.S.L.E.S.	Revolving Loan	Strong Families Project	Children's Trust
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	5,534	-	38,562	82,250
-	-	-	-	-
-	-	-	-	-
-	-	17,669	-	-
-	-	189,318	-	-
-0-	5,534	206,987	38,562	82,250
-	-	-	-	-
-	6,043	-	-	-
-	-	-	-	-
-	-	36,227	36,496	77,570
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-0-	6,043	36,227	36,496	77,570
-0-	(509)	170,760	2,066	4,680
-	-	-	-	-
-	-	-	-	-
-0-	-0-	-0-	-0-	-0-
-0-	(509)	170,760	2,066	4,680
4,857	509	324,620	7,442	1,375
\$ 4,857	\$ -0-	\$ 495,380	\$ 9,508	\$ 6,055

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	Michigan Justice Training	Child Care Grant	F.I.A.
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	6,518	7,067	241,615
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	32,537
TOTAL REVENUES	6,518	7,067	274,152
EXPENDITURES			
Current			
Judicial	3,677	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	7,703	326,555
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	3,677	7,703	326,555
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,841	(636)	(52,403)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	55,015
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	55,015
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	2,841	(636)	2,612
Fund balances, beginning of year	5,346	2,556	34,231
Fund balances, end of year	\$ 8,187	\$ 1,920	\$ 36,843

Revenue				
Child Care	Veterans Trust	Maintenance of Effort	Parks and Recreation	Forester Park Water Fund
\$ -	\$ -	\$ 234,176	\$ 228,768	\$ -
-	-	-	-	-
64,834	10,609	-	-	-
-	-	-	259,037	3,350
-	-	-	-	-
-	-	5,338	3,202	-
41,937	-	-	4,770	-
106,771	10,609	239,514	495,777	3,350
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
471,565	10,047	179,511	-	-
-	-	-	424,322	1,861
-	-	-	-	-
-	-	-	19,454	-
471,565	10,047	179,511	443,776	1,861
(364,794)	562	60,003	52,001	1,489
381,828	-	-	-	-
-	(1,000)	(53,330)	-	-
381,828	(1,000)	(53,330)	-0-	-0-
17,034	(438)	6,673	52,001	1,489
77,228	773	53,330	(26,611)	12,670
\$ 94,262	\$ 335	\$ 60,003	\$ 25,390	\$ 14,159

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special Revenue		
	Sheriffs Commissary	Jail Maintenance	Senior Citizen Council on Aging
REVENUES			
Taxes	\$ -	\$ -	\$ 234,177
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	226,534	-	-
Fines and forfeits	-	-	-
Interest and rents	16	-	2,785
Other	-	-	-
TOTAL REVENUES	226,550	-0-	236,962
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	145,545	-	-
Public works	-	-	-
Health and welfare	-	-	237,594
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	16,187	-	-
Debt Service			
Principal redemption	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	161,732	-0-	237,594
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	64,818	-0-	(632)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(119,364)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(119,364)	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(54,546)	-0-	(632)
Fund balances, beginning of year	79,363	1,764	19,927
Fund balances, end of year	\$ 24,817	\$ 1,764	\$ 19,295

Capital Project		Debt Service			
Equipment	Medical Care Facility	Health Department	Jail Building Fund	Building Authority	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,869,752
-	-	-	-	-	25,765
-	-	-	-	-	2,014,299
-	-	-	-	-	1,132,925
-	-	-	-	-	15,164
-	97,276	137,804	-	-	287,640
-	-	-	-	-	269,826
-0-	97,276	137,804	-0-	-0-	5,615,371
-	-	-	-	-	525,208
-	-	-	5,500	-	1,754,495
-	-	-	-	-	38,514
-	-	-	-	-	2,535,108
-	-	-	-	-	659,719
-	-	-	-	-	-
5,279	-	2,376	-	-	44,273
-	40,000	90,000	70,000	-	200,000
-	57,088	41,200	37,650	-	135,938
5,279	97,088	133,576	113,150	-0-	5,893,255
(5,279)	188	4,228	(113,150)	-0-	(277,884)
-	-	-	113,150	-	1,148,609
-	-	-	-	-	(582,901)
-0-	-0-	-0-	113,150	-0-	565,708
(5,279)	188	4,228	-	-	287,824
29,940	18,354	127,884	3	1,529	1,408,456
\$ 24,661	\$ 18,542	\$ 132,112	\$ 3	\$ 1,529	\$ 1,696,280

Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Delinquent Tax 2001	Delinquent Tax 2002	Delinquent Tax 2003
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 854,817	\$ 478,839
Taxes receivable - delinquent	-	-	111,640
Receivables	-	-	35
Due from other funds	-	20	-
Due from other governmental units	-	-	9,292
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 854,837</u>	<u>\$ 599,806</u>
LIABILITIES			
Current liabilities			
Due to other funds	\$ -	\$ 854,837	\$ 1,856
Due to other governmental units	-	-	170
Total current liabilities	<u>-</u>	<u>854,837</u>	<u>2,026</u>
NET ASSETS			
Unrestricted	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 597,780</u>

See accompanying notes to financial statements.

Delinquent Tax 2005	Tax Administrative	Tax Foreclosure Proceeds	Total
\$ 85,789	\$ 95,183	\$ 423,956	\$ 1,938,584
187,862	-	-	299,502
548	-	-	583
-	-	218,051	218,071
1,601	-	-	10,893
<u>\$ 275,800</u>	<u>\$ 95,183</u>	<u>\$ 642,007</u>	<u>\$ 2,467,633</u>
\$ -	\$ -	\$ 32,622	\$ 889,315
-	-	-	170
<u>-0-</u>	<u>-0-</u>	<u>32,622</u>	<u>889,485</u>
<u>\$ 275,800</u>	<u>\$ 95,183</u>	<u>\$ 609,385</u>	<u>\$ 1,578,148</u>

Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2005

	Delinquent Tax 2001	Delinquent Tax 2002	Delinquent Tax 2003
OPERATING REVENUES			
Interest on taxes	\$ -	\$ 52,067	\$ 146,184
Sales	-	130,132	-
Administrative fees	-	43,951	113,799
Other	573	423	-
TOTAL OPERATING REVENUES	573	226,573	259,983
OPERATING EXPENSES			
Salaries	-	-	-
Fringe benefits	-	17	-
Contractual services	-	-	-
Supplies	-	3,469	7,221
Other	-	4,551	28,210
TOTAL OPERATING EXPENSES	-0-	8,037	35,431
OPERATING INCOME (LOSS)	573	218,536	224,552
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	-	19,780	5,604
Interest expense	-	(918)	(5,152)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-0-	18,862	452
INCOME (LOSS) BEFORE TRANSFERS IN (OUT)	573	237,398	225,004
TRANSFERS IN (OUT)			
Operating transfers in	-	-	-
Operating transfers out	(573)	(864,907)	-
TOTAL TRANSFERS IN (OUT)	(573)	(864,907)	-0-
CHANGE IN NET ASSETS	-	(627,509)	225,004
Net assets, beginning of year	-	627,509	372,776
Net assets, end of year	\$ -0-	\$ -0-	\$ 597,780

See accompanying notes to financial statements.

Delinquent Tax 2005	Tax Administrative	Tax Foreclosure Proceeds	Total
\$ 1,811	\$ -	\$ -	\$ 200,062
-	-	7,300	137,432
3,142	-	1,189	162,081
-	-	-	996
4,953	-0-	8,489	500,571
-	-	734	734
-	-	56	73
-	-	-	-
-	-	252	10,942
-	33	18,792	51,586
-0-	33	19,834	63,335
4,953	(33)	(11,345)	437,236
475	2,635	11,391	39,885
-	-	-	(6,070)
475	2,635	11,391	33,815
5,428	2,602	46	471,051
270,372	-	218,051	488,423
-	-	(32,613)	(898,093)
270,372	-0-	185,438	(409,670)
275,800	2,602	185,484	61,381
-	92,581	423,901	1,516,767
<u>\$ 275,800</u>	<u>\$ 95,183</u>	<u>\$ 609,385</u>	<u>\$ 1,578,148</u>

Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Delinquent Tax 2001	Delinquent Tax 2002	Delinquent Tax 2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 573	\$ 383,880	\$ 1,090,723
Cash paid to suppliers	(604,415)	844,544	(33,405)
Cash paid to employees	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	(603,842)	1,228,424	1,057,318
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Payment of notes	-	-	(750,000)
Interest expense	-	(918)	(5,152)
Transfers to other funds	(573)	(864,907)	-
Transfers from other funds	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(573)	(865,825)	(755,152)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	-	19,780	5,604
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(604,415)	382,379	307,770
Cash and cash equivalents, beginning of year	604,415	472,438	171,069
Cash and cash equivalents, end of year	\$ -0-	\$ 854,817	\$ 478,839
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 573	\$ 218,536	\$ 224,552
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) Decrease in receivables	-	157,307	830,740
Increase (decrease) in due to government units	-	(170)	170
Increase (decrease) in accrued liabilities	(604,415)	852,751	1,856
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (603,842)	\$ 1,228,424	\$ 1,057,318

Delinquent Tax 2005	Tax Administrative	Tax Foreclosure Proceeds	Total
\$ (185,058)	\$ -	\$ (209,562)	\$ 1,080,556
-	(33)	(21,489)	185,202
-	-	(734)	(734)
(185,058)	(33)	(231,785)	1,265,024
-	-	-	(750,000)
-	-	-	(6,070)
-	-	(32,613)	(898,093)
270,372	-	218,051	488,423
270,372	-0-	185,438	(1,165,740)
475	2,635	11,391	39,885
85,789	2,602	(34,956)	139,169
-	92,581	458,912	1,799,415
<u>\$ 85,789</u>	<u>\$ 95,183</u>	<u>\$ 423,956</u>	<u>\$ 1,938,584</u>
\$ 4,953	\$ (33)	\$ (11,345)	\$ 437,236
(190,011)	-	(218,051)	579,985
-	-	-	-
-	-	(2,389)	247,803
<u>\$ (185,058)</u>	<u>\$ (33)</u>	<u>\$ (231,785)</u>	<u>\$ 1,265,024</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

Year Ended December 31, 2005

	Buildings and Grounds	Central Stores	Data Processing	Mail Department
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,009	\$ (2,379)	\$ 157,123	\$ 2,730
Accounts receivable	-	-	-	57
Due from other funds	-	-	-	1,856
Prepaid expenses	-	-	-	-
Inventory	-	7,435	1,992	2,913
Total current assets	5,009	5,056	159,115	7,556
Fixed assets				
Land	64,000	-	-	-
Buildings and improvements	141,733	-	-	-
Equipment	-	-	1,537,215	-
Vehicles	-	-	-	-
Less: accumulated depreciation	(59,472)	-	(1,427,031)	-
Net fixed assets	146,261	-0-	110,184	-0-
TOTAL ASSETS	\$ 151,270	\$ 5,056	\$ 269,299	\$ 7,556
LIABILITIES				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ 5,882	\$ 5
Accrued payroll	-	-	-	-
Total current liabilities	-0-	-0-	5,882	5
Long-term liabilities				
Capital leases payable	-	-	5,110	-
Advances from other funds	-	-	-	-
Total long-term liabilities	-0-	-0-	5,110	-0-
TOTAL LIABILITIES	\$ -0-	\$ -0-	\$ 10,992	\$ 5
NET ASSETS				
Invested in capital assets, net of related debt	\$ 146,261	\$ -	\$ 105,074	\$ -
Restricted for claims	-	-	-	-
Unrestricted	5,009	5,056	153,233	7,551
TOTAL NET ASSETS	\$ 151,270	\$ 5,056	\$ 258,307	\$ 7,551

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Health Care	Total
\$ 75,908	\$ 19,984	\$158,706	\$ 108,259	\$ 34,468	\$ 37,908	\$ 597,716
2,348	-	-	-	-	465	2,870
-	-	-	-	-	32,112	33,968
-	-	65,582	-	-	10,519	76,101
-	-	-	-	-	-	12,340
78,256	19,984	224,288	108,259	34,468	81,004	722,995
-	-	-	-	-	-	64,000
-	-	-	-	-	-	141,733
39,589	-	-	-	-	-	1,576,804
397,858	263,511	-	-	-	-	661,369
(384,687)	(97,615)	-	-	-	-	(1,968,805)
52,760	165,896	-0-	-0-	-0-	-0-	475,101
<u>\$ 131,016</u>	<u>\$ 185,880</u>	<u>\$224,288</u>	<u>\$ 108,259</u>	<u>\$ 34,468</u>	<u>\$ 81,004</u>	<u>\$1,198,096</u>
\$ 562	\$ 6,578	\$ 13,562	\$ -	\$ 2,242	\$ 2,139	\$ 30,970
-	-	-	-	-	-	-
562	6,578	13,562	-0-	2,242	2,139	30,970
22,483	52,606	-	-	-	-	80,199
-	-	-	-	-	-	-
22,483	52,606	-0-	-0-	-0-	-0-	80,199
<u>\$ 23,045</u>	<u>\$ 59,184</u>	<u>\$ 13,562</u>	<u>\$ -0-</u>	<u>\$ 2,242</u>	<u>\$ 2,139</u>	<u>\$ 111,169</u>
\$ 30,277	\$ 113,290	\$ -	\$ -	\$ -	\$ -	\$ 394,902
-	-	-	-	-	-	-0-
77,694	13,406	210,726	108,259	32,226	78,865	692,025
<u>\$ 107,971</u>	<u>\$ 126,696</u>	<u>\$210,726</u>	<u>\$ 108,259</u>	<u>\$ 32,226</u>	<u>\$ 78,865</u>	<u>\$1,086,927</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2005

	Buildings and Grounds	Central Stores	Data Processing	Mail Department
OPERATING REVENUES				
Charges for services	\$ -	\$ 16,380	\$ -	\$ 46,491
Reimbursements	-	63	10,657	5
Other revenue	-	-	-	-
TOTAL OPERATING REVENUES	-0-	16,443	10,657	46,496
OPERATING EXPENSES				
Salaries	-	-	-	-
Fringe benefits	-	-	252	-
Operating supplies	-	16,348	675	49,622
Contractual services	-	-	220,922	-
Depreciation	4,724	-	50,394	-
Other	-	-	868	-
TOTAL OPERATING EXPENSES	4,724	16,348	273,111	49,622
OPERATING INCOME (LOSS) BEFORE TRANSFERS	(4,724)	95	(262,454)	(3,126)
TRANSFERS IN (OUT)				
Transfers in	-	-	446,317	2,802
Transfers out	-	-	-	-
TOTAL TRANSFERS IN (OUT)	-0-	-0-	446,317	2,802
CHANGE IN NET ASSETS	(4,724)	95	183,863	(324)
Net assets, beginning of year	155,994	4,961	74,444	7,875
Net assets, end of year	<u>\$ 151,270</u>	<u>\$ 5,056</u>	<u>\$ 258,307</u>	<u>\$ 7,551</u>

<u>Motor Pool</u>	<u>Police Vehicle & Equipment</u>	<u>Health Insurance</u>	<u>Accumulated Benefits</u>	<u>Worker's Compensation</u>	<u>Employee Healthcare</u>	<u>Total</u>
\$ 151,783	\$ 5,285	\$ -	\$ -	\$ -	\$ -	\$ 219,939
34,580	-	64,507	-	101,702	53,156	264,670
2,312	-	-	-	-	7,453	9,765
188,675	5,285	64,507	-0-	101,702	60,609	494,374
2,500	-	-	-	-	-	2,500
760	-	1,144,311	21,770	150,628	196,660	1,514,381
115,174	-	-	-	-	-	181,819
11,256	120	-	-	-	-	232,298
34,256	40,604	-	-	-	-	129,978
32,933	1,589	-	-	-	-	35,390
196,879	42,313	1,144,311	21,770	150,628	196,660	2,096,366
(8,204)	(37,028)	(1,079,804)	(21,770)	(48,926)	(136,051)	(1,601,992)
-	68,378	1,285,178	85,564	67,884	163,782	2,119,905
-	-	-	-	-	-	-
-0-	68,378	1,285,178	85,564	67,884	163,782	2,119,905
(8,204)	31,350	205,374	63,794	18,958	27,731	517,913
116,175	95,346	5,352	44,465	13,268	51,134	569,014
<u>\$ 107,971</u>	<u>\$ 126,696</u>	<u>\$ 210,726</u>	<u>\$ 108,259</u>	<u>\$ 32,226</u>	<u>\$ 78,865</u>	<u>\$1,086,927</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Building and Grounds	Central Stores	Data Processing	Mail Department
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from users	\$ -	\$ 16,443	\$ (178,837)	\$ 44,663
Cash paid to suppliers	-	(17,259)	(227,274)	(51,636)
Cash paid for employee benefits	-	-	(252)	-
Cash paid for employee wages	-	-	(922)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-0-	(816)	(407,285)	(6,973)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	446,317	2,802
Transfers out	-	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-0-	-0-	446,317	2,802
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital lease proceeds	-	-	-	-
Payments on capital leases	-	-	-	-
Capital purchases	-	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	-0-	-0-	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-0-	(816)	39,032	(4,171)
Cash and cash equivalents, beginning of year	5,009	(1,563)	118,091	6,901
Cash and cash equivalents, end of year	<u>\$ 5,009</u>	<u>\$ (2,379)</u>	<u>\$ 157,123</u>	<u>\$ 2,730</u>
Reconciliation of operating (loss) to net cash (used) by operating activities				
Operating income (loss)	\$ (4,724)	\$ 95	\$ (262,454)	\$ (3,126)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities				
Depreciation	4,724	-	50,394	-
(Increase) Decrease in receivables	-	-	(189,494)	(1,833)
(Increase) Decrease in prepaids/inventory	-	(911)	1,311	(2,014)
Increase (decrease) in accounts payable	-	-	(6,120)	-
Increase (Decrease) in accrued liabilities	-	-	(922)	-
NET CASH (USED) BY OPERATING ACTIVITIES	\$ -0-	\$ (816)	\$ (407,285)	\$ (6,973)

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Healthcare	Total
\$188,583	\$ 5,286	\$ 75,023	\$ -	\$ 101,702	\$ 44,293	\$ 297,156
(160,624)	4,869	(4,292)	-	(12,463)	4,934	(463,745)
(760)	-	(1,144,311)	(21,770)	(150,628)	(196,660)	(1,514,381)
(2,500)	-	-	(13,106)	-	-	(16,528)
24,699	10,155	(1,073,580)	(34,876)	(61,389)	(147,433)	(1,697,498)
-	68,378	1,285,178	85,564	67,884	163,782	2,119,905
-	-	-	-	-	-	-
-0-	68,378	1,285,178	85,564	67,884	163,782	2,119,905
29,376	80,958	-	-	-	-	110,334
(6,892)	(28,352)	-	-	-	-	(35,244)
(40,155)	(120,984)	-	-	-	-	(161,139)
(17,671)	(68,378)	-0-	-0-	-0-	-0-	(86,049)
7,028	10,155	211,598	50,688	6,495	16,349	336,358
68,880	9,829	(52,892)	57,571	27,973	21,559	261,358
<u>\$ 75,908</u>	<u>\$ 19,984</u>	<u>\$ 158,706</u>	<u>\$ 108,259</u>	<u>\$ 34,468</u>	<u>\$ 37,908</u>	<u>\$ 597,716</u>
\$ (8,204)	\$ (37,028)	\$(1,079,804)	\$ (21,770)	\$ (48,926)	\$ (136,051)	\$(1,601,992)
34,256	40,604	-	-	-	-	129,978
(92)	1	10,516	-	-	(16,316)	(197,218)
-	-	-	-	-	3,144	1,530
(1,261)	6,578	(4,292)	-	(12,463)	1,790	(15,768)
-	-	-	(13,106)	-	-	(14,028)
<u>\$ 24,699</u>	<u>\$ 10,155</u>	<u>\$(1,073,580)</u>	<u>\$ (34,876)</u>	<u>\$ (61,389)</u>	<u>\$ (147,433)</u>	<u>\$(1,697,498)</u>

Sanilac County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

	Agency Funds			Total
	Trust and Agency	Library Fund (Penal Fines)	Circuit Court Orders	
ASSETS				
Cash and cash equivalents	\$ 212,396	\$ 91,223	\$ 3,752	\$ 307,371
Due from other funds	136,073	-	-	136,073
TOTAL ASSETS	\$ 348,469	\$ 91,223	\$ 3,752	\$ 443,444
LIABILITIES				
Undistributed collections	\$ 184,762	\$ -	\$ -	\$ 184,762
Due to other funds	22,656	-	-	22,656
Due to other governmental units	141,051	-	-	141,051
Due to individuals and agencies	-	91,223	3,752	94,975
TOTAL LIABILITIES	\$ 348,469	\$ 91,223	\$ 3,752	\$ 443,444

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2005

	Debt		
	Black River	Turtle Creek Const./Maint.	Turtle Creek
ASSETS			
Cash and cash equivalents	\$ -	\$ 75,268	\$ 59,757
Special assessments receivable	-	106,045	-
Due from other funds	-	-	-
Due from primary government	-	14,071	-
Advances to other funds	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 195,384</u>	<u>\$ 59,757</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	82,445	-
Advances from other funds	-	-	-
Advances from primary government	-	-	-
Accounts payable	-	-	-
TOTAL LIABILITIES	-0-	82,445	-0-
FUND BALANCES			
Reserved for debt service	-	112,939	59,757
Unreserved			
Designated for capital expenditures	-	-	-
TOTAL FUND BALANCES	-0-	112,939	59,757
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 195,384</u>	<u>\$ 59,757</u>

Service			
Dwight & Brs	White Rock	Potts and Branches	Duff & Branches
\$ -	\$ 8,089	\$ -	\$ 538,303
-	61,334	-	637,087
-	-	-	-
-	13,479	-	64,215
-	-	-	-
<u>\$ -0-</u>	<u>\$ 82,902</u>	<u>\$ -0-</u>	<u>\$ 1,239,605</u>
\$ -	\$ -	\$ -	\$ -
-	43,509	-	530,977
-	-	-	-
-	-	-	-
-	-	-	-
-0-	43,509	-0-	530,977
-	39,393	-	708,628
-	-	-	-
-0-	39,393	-0-	708,628
<u>\$ -0-</u>	<u>\$ 82,902</u>	<u>\$ -0-</u>	<u>\$ 1,239,605</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS - CONTINUED

December 31, 2005

	Debt Service		
	E. Branch Speaker Maple	Regular Drains	Stone Drain
ASSETS			
Cash and cash equivalents	\$ -	\$ 115,429	\$ 72,702
Special assessments receivable	-	1,058,499	759,623
Due from other funds	-	-	-
Due from primary government	-	69,540	12,570
Advances to other funds	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 1,243,468</u>	<u>\$ 844,895</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ 9,000	\$ -
Deferred revenue	-	862,799	694,483
Advances from other funds	-	-	-
Advances from primary government	-	-	-
Accounts payable	-	-	-
TOTAL LIABILITIES	-0-	871,799	694,483
FUND BALANCES			
Reserved for debt service	-	371,669	150,412
Unreserved			
Designated for capital expenditures	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>371,669</u>	<u>150,412</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 1,243,468</u>	<u>\$ 844,895</u>

Capital Project

Regular Drains	Revolving Drains	Maintenance Revolving	Elk Creek	Middle & Branches
\$ 822,546	\$ 9,368	\$ 116,768	\$ 103,613	\$ 72,664
155,222	-	-	-	-
-	113,171	-	-	-
27,059	-	-	-	-
-	-	-	-	-
<u>\$ 1,004,827</u>	<u>\$ 122,539</u>	<u>\$ 116,768</u>	<u>\$ 103,613</u>	<u>\$ 72,664</u>
\$ 262,688	\$ -	\$ -	\$ -	\$ -
71,554	-	-	-	-
56,000	-	-	-	-
-	122,539	-	-	-
-	-	-	-	-
390,242	122,539	-0-	-0-	-0-
-	-	-	-	-
614,585	-	116,768	103,613	72,664
614,585	-0-	116,768	103,613	72,664
<u>\$ 1,004,827</u>	<u>\$ 122,539</u>	<u>\$ 116,768</u>	<u>\$ 103,613</u>	<u>\$ 72,664</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS - CONTINUED

December 31, 2005

	Capital		
	Dwight & Brs Const/Maint	White Rock Const/Maint	Potts & Brs Const/Maint
ASSETS			
Cash and cash equivalents	\$ 74,553	\$ 49,633	\$ 110,272
Special assessments receivable	-	-	-
Due from other funds	-	-	-
Due from primary government	-	-	-
Advances to other funds	-	-	-
TOTAL ASSETS	<u>\$ 74,553</u>	<u>\$ 49,633</u>	<u>\$ 110,272</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Advances from other funds	-	-	-
Advances from primary government	-	-	-
Accounts payable	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for debt service	-	-	-
Unreserved			
Designated for capital expenditures	74,553	49,633	110,272
TOTAL FUND BALANCES	<u>74,553</u>	<u>49,633</u>	<u>110,272</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 74,553</u>	<u>\$ 49,633</u>	<u>\$ 110,272</u>

Project				
Black River	Duff & Brs Const/Maint	E. Branch Speaker	Stone Drain	Total
\$ 125,837	\$ 337,634	\$ 110,930	\$ 37,348	\$ 2,840,714
-	-	-	-	2,777,810
149,517	9,000	-	-	271,688
-	-	-	-	200,934
56,000	-	-	-	56,000
<u>\$ 331,354</u>	<u>\$ 346,634</u>	<u>\$ 110,930</u>	<u>\$ 37,348</u>	<u>\$ 6,147,146</u>
\$ -	\$ -	\$ -	\$ -	\$ 271,688
-	-	-	-	2,285,767
-	-	-	-	56,000
-	-	-	-	122,539
-	-	-	-	-
-0-	-0-	-0-	-0-	2,735,994
-	-	-	-	1,442,798
<u>331,354</u>	<u>346,634</u>	<u>110,930</u>	<u>37,348</u>	<u>1,968,354</u>
<u>331,354</u>	<u>346,634</u>	<u>110,930</u>	<u>37,348</u>	<u>3,411,152</u>
<u>\$ 331,354</u>	<u>\$ 346,634</u>	<u>\$ 110,930</u>	<u>\$ 37,348</u>	<u>\$ 6,147,146</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2005

Total fund balance - governmental funds \$ 3,411,152

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	24,440,234	
Accumulated depreciation is	<u>(10,211,790)</u>	
Capital assets, net		14,228,444

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue	2,285,767
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Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds, notes and loans payable	<u>(3,840,326)</u>
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Net assets of governmental activities \$ 16,085,037

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2005

	Debt		
	Black River	Turtle Creek Const./Maint.	Turtle Creek
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	-	55,317	-
Interest	-	7,036	1,563
Other	-	-	-
TOTAL REVENUES	-0-	62,353	1,563
EXPENDITURES			
Capital outlay	-	-	-
Debt service			
Principal redemption	-	56,000	-
Interest and fees	-	7,175	-
TOTAL EXPENDITURES	-0-	63,175	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(822)	1,563
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	1,714	-	-
Operating transfers out	(1,714)	-	(394)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	(394)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	-0-	(822)	1,169
Fund balances, beginning of year	-	113,761	58,588
Fund balances, end of year	\$ -0-	\$ 112,939	\$ 59,757

Service

<u>Dwight & Brs</u>	<u>White Rock</u>	<u>Potts and Branches</u>	<u>Duff & Branches</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	51,083	-	150,647
582	5,324	1,489	67,786
-	-	-	-
582	56,407	1,489	218,433
-	-	-	-
50,875	51,000	125,000	150,000
2,480	8,025	3,913	77,400
<u>53,355</u>	<u>59,025</u>	<u>128,913</u>	<u>227,400</u>
(52,773)	(2,618)	(127,424)	(8,967)
-	-	-	-
31	1,718	225	-
<u>(7,288)</u>	<u>-</u>	<u>(86,278)</u>	<u>-</u>
<u>(7,257)</u>	<u>1,718</u>	<u>(86,053)</u>	<u>-0-</u>
(60,030)	(900)	(213,477)	(8,967)
<u>60,030</u>	<u>40,293</u>	<u>213,477</u>	<u>717,595</u>
<u>\$ -0-</u>	<u>\$ 39,393</u>	<u>\$ -0-</u>	<u>\$ 708,628</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS - CONTINUED

Year Ended December 31, 2005

	Debt Service		
	E. Branch Speaker Maple	Regular Drains	Stone Drain
REVENUES			
Intergovernmental	\$ -	\$ 37,531	\$ -
Charges for services	-	12,827	-
Special assessments	-	317,155	82,793
Interest	1,172	40,808	24,997
Other	-	-	-
TOTAL REVENUES	1,172	408,321	107,790
EXPENDITURES			
Capital outlay	-	-	-
Debt service			
Principal redemption	130,000	325,532	60,000
Interest and fees	3,518	34,676	28,088
TOTAL EXPENDITURES	133,518	360,208	88,088
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(132,346)	48,113	19,702
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	-	21,241	-
Operating transfers out	(45,984)	(65,420)	-
TOTAL OTHER FINANCING SOURCES (USES)	(45,984)	(44,179)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(178,330)	3,934	19,702
Fund balances, beginning of year	178,330	367,735	130,710
Fund balances, end of year	\$ -0-	\$ 371,669	\$ 150,412

Capital Project

Regular Drains	Revolving Drains	Maintenance Revolving	Elk Creek	Middle & Branches
\$ 921	\$ -	\$ -	\$ -	\$ -
6,398	-	11,610	-	-
142,336	-	-	-	-
22,079	-	2,689	3,087	2,061
12,130	-	-	4,766	-
183,864	-0-	14,299	7,853	2,061
454,245	-	25,968	-	2,059
-	-	-	-	-
5,115	-	-	-	-
459,360	-0-	25,968	-0-	2,059
(275,496)	-0-	(11,669)	7,853	2
185,000	-	-	-	-
65,841	-	97,581	-	-
(108,185)	-	(43,440)	(1,025)	(637)
142,656	-0-	54,141	(1,025)	(637)
(132,840)	-0-	42,472	6,828	(635)
747,425	-	74,296	96,785	73,299
<u>\$ 614,585</u>	<u>\$ -0-</u>	<u>\$ 116,768</u>	<u>\$ 103,613</u>	<u>\$ 72,664</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS - CONTINUED

Year Ended December 31, 2005

	Capital		
	Dwight & Brs Const/Maint	White Rock Const/Maint	Potts & Brs Const/Maint
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	-	-	-
Interest	1,846	1,362	2,321
Other	-	-	-
TOTAL REVENUES	1,846	1,362	2,321
EXPENDITURES			
Capital outlay	280	1,323	7,848
Debt service			
Principal redemption	-	-	-
Interest and fees	-	-	-
TOTAL EXPENDITURES	280	1,323	7,848
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,566	39	(5,527)
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	7,288	178	86,278
Operating transfers out	(188)	(1,940)	(1,321)
TOTAL OTHER FINANCING SOURCES (USES)	7,100	(1,762)	84,957
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	8,666	(1,723)	79,430
Fund balances, beginning of year	65,887	51,356	30,842
Fund balances, end of year	\$ 74,553	\$ 49,633	\$ 110,272

Project				
Black River	Duff & Brs Const/Maint	E. Branch Speaker	Stone Drain	Total
\$ -	\$ 6,500	\$ -	\$ -	\$ 44,952
200	-	-	600	31,635
-	-	-	-	799,331
9,403	8,704	2,408	965	207,682
-	-	-	-	16,896
9,603	15,204	2,408	1,565	1,100,496
41,993	567	-	600	534,883
-	-	-	-	948,407
-	-	-	-	170,390
41,993	567	-0-	600	1,653,680
(32,390)	14,637	2,408	965	(553,184)
-	-	-	-	185,000
-	-	45,984	-	328,079
(5,385)	(1,469)	(190)	(532)	(371,390)
(5,385)	(1,469)	45,794	(532)	141,689
(37,775)	13,168	48,202	433	(411,495)
369,129	333,466	62,728	36,915	3,822,647
\$ 331,354	\$ 346,634	\$ 110,930	\$ 37,348	\$ 3,411,152

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2005

Net change in fund balances - total governmental funds \$ (411,495)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	280,100	
Depreciation expense	<u>(814,672)</u>	
Excess of depreciation expense over capital outlay		(534,572)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Decrease in deferred revenue	(1,300,011)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(185,000)	
Bond and note principal retirement	<u>838,057</u>	
		<u>653,057</u>

Change in net assets of governmental activities \$ (1,593,021)

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2005

	Debt Service			
	Brown City Water Tower	Carsonville Water	Worth Phase II Water System	Lex, Worth Water Project
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 1,365	\$ 169
Due from other governmental units	-	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,365</u>	<u>\$ 169</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Fund balances				
Reserved for debt service	-	-	1,365	169
Unreserved				
Designated for capital expenditures	-	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>1,365</u>	<u>169</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,365</u>	<u>\$ 169</u>

Capital Projects

<u>Brown City Water Tower</u>	<u>Carsonville Water</u>	<u>Worth Phase II Water System</u>	<u>Carsonville Arsenic</u>	<u>Total</u>
\$ 12,305	\$ 1	\$ 5,434	\$ (138)	\$ 19,136
-	-	-	28,646	28,646
<u>\$ 12,305</u>	<u>\$ 1</u>	<u>\$ 5,434</u>	<u>\$ 28,508</u>	<u>\$ 47,782</u>
\$ -	\$ -	\$ -	\$ 28,508	\$ 28,508
-	-	-	-	1,534
<u>12,305</u>	<u>1</u>	<u>5,434</u>	<u>-</u>	<u>17,740</u>
<u>12,305</u>	<u>1</u>	<u>5,434</u>	<u>-0-</u>	<u>19,274</u>
<u>\$ 12,305</u>	<u>\$ 1</u>	<u>\$ 5,434</u>	<u>\$ 28,508</u>	<u>\$ 47,782</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2005

Total fund balance - governmental funds	\$ 19,274
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.

Long-term receivables at year-end consist of:

Lease receivable	9,508,621
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Direct county obligations	<u>(9,508,621)</u>
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Net assets of governmental activities	<u>\$ 19,274</u>
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Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2005

	Debt Service			
	Brown City Water Tower	Carsonville Water	Worth Phase II Water System	Lex, Worth Water Project
REVENUES				
Intergovernmental	\$ 25,300	\$ 44,799	\$ 906,128	\$ 85,254
Interest	-	-	-	-
TOTAL REVENUES	25,300	44,799	906,128	85,254
EXPENDITURES				
Other	-	-	-	-
Debt service				
Principal Redemption	20,000	25,000	475,000	45,000
Interest and fiscal charges	5,300	19,799	431,128	40,254
Capital Outlay				
Construction	-	-	-	-
TOTAL EXPENDITURES	25,300	44,799	906,128	85,254
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING SOURCES				
Proceeds of loan	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
Fund balances, beginning of year	-	-	1,365	169
Fund balances, end of year	\$ -0-	\$ -0-	\$ 1,365	\$ 169

Capital Projects

<u>Brown City Water Tower</u>	<u>Carsonville Water</u>	<u>Worth Phase II Water System</u>	<u>Carsonville Arsenic</u>	<u>Total</u>
\$ - 341	\$ 31,185 -	\$ - 140	\$ 138 -	\$ 1,092,804 481
341	31,185	140	138	1,093,285
-	-	-	28,172	28,172
-	-	-	-	565,000
-	-	-	-	496,481
-	55,300	-	210,587	265,887
-0-	55,300	-0-	238,759	1,355,540
341	(24,115)	140	(238,621)	(262,255)
-	24,116	-	238,621	262,737
341	1	140	-0-	482
11,964	-	5,294	-	18,792
<u>\$ 12,305</u>	<u>\$ 1</u>	<u>\$ 5,434</u>	<u>\$ -0-</u>	<u>\$ 19,274</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2005

Net change in fund balances - total governmental funds \$ 482

Amounts reported for governmental activities in the statement of activities are different because:

Construction of the water systems on behalf of the municipalities are reported as expenditures in the governmental funds, but these payments increases the lease receivable in the statement of net assets.

Payments made on the lease receivable is reported as revenue in governmental funds, but the payments reduces the lease receivable in the statement of net assets. In the current year, these amounts consist of:

Lease revenue	262,737	
Lease payments	<u>(565,000)</u>	(302,263)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(262,737)	
Bond principal retirement	<u>565,000</u>	<u>302,263</u>

Change in net assets of governmental activities \$ 482

Sanilac County, Michigan

Component Unit Funds

BALANCE SHEET - ROAD COMMISSION

December 31, 2005

ASSETS

Cash and cash equivalents	\$ 913,146
Accounts receivable	2,110
Due from other governmental units	1,167,756
Prepaid expenditures	125,551
Inventory	<u>231,617</u>

TOTAL ASSETS	<u><u>\$ 2,440,180</u></u>
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LIABILITIES AND FUND BALANCE

Accounts payable	\$ 184,817
Accrued liabilities	67,112
Due to other governmental units	108
Performance bond payable	5,000
Deferred revenue	30,212
Advances from other governmental units	<u>190,957</u>

TOTAL LIABILITIES	478,206
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FUND BALANCES

Fund balances	
Reserved for roads	357,168
Unreserved - undesignated	<u>1,604,806</u>

TOTAL FUND BALANCE	<u>1,961,974</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,440,180</u></u>
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Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - ROAD COMMISSION

December 31, 2005

Total fund balance - governmental fund \$ 1,961,974

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	70,454,730	
Accumulated depreciation is	<u>(25,719,069)</u>	
Capital assets, net		44,735,661

Long-term liabilities are not due and payable in the current period and therefore
are not reported in the governmental fund balance sheet. Long-term
liabilities are year end consist of:

Leases payable	(1,179,871)	
Accrued interest payable	(4,368)	
Compensated absences	<u>(497,114)</u>	<u>(1,681,353)</u>

Net assets of governmental activities \$ 45,016,282

Sanilac County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ROAD COMMISSION

Year Ended December 31, 2005

REVENUES

Taxes	\$ 1,754,115
Licenses and permits	27,370
Intergovernmental	10,076,998
Charges for services	1,542,885
Interest and rents	67,973
Other	<u>126,684</u>

TOTAL REVENUES	13,596,025
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EXPENDITURES

Current	
Public Works	13,943,033
Capital outlay	773,475
Debt service	<u>484,822</u>

TOTAL EXPENDITURES	<u>15,201,330</u>
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EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,605,305)
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OTHER FINANCING SOURCES

Lease proceeds	<u>898,450</u>
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EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(706,855)
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Fund balances, beginning of year	<u>2,668,829</u>
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Fund balances, end of year	<u><u>\$ 1,961,974</u></u>
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Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - ROAD COMMISSION

Year Ended December 31, 2005

Net change in fund balance - governmental fund **\$ (706,855)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	6,795,162	
Depreciation expense	(647,327)	
Infrastructure depreciation	<u>(2,568,073)</u>	
 Excess of capital outlay over depreciation expense		 3,579,762

In the statement of activities, only the gain or loss on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold. (370,298)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Lease proceeds	(898,450)	
Capital lease payments	<u>664,005</u>	(234,445)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

Decrease in accrued interest payable	(1,288)	
Decrease in accrued compensated absences	<u>183,510</u>	
		<u>182,222</u>

Change in net assets of governmental activities **\$ 2,450,386**

Sanilac County, Michigan

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2005

	<u>Total</u>
ASSETS	
Cash and cash equivalents	\$ 224,494
Due from other governmental units	<u>24,062</u>
TOTAL ASSETS	<u><u>\$ 248,556</u></u>
LIABILITIES AND FUND BALANCES	
Accounts payable	\$ 735
Deferred revenue	<u>130,883</u>
TOTAL LIABILITIES	131,618
FUND BALANCES	
Fund balances	
Unreserved - undesignated	<u>116,938</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 248,556</u></u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2005

Total fund balance - governmental fund	\$ 116,938
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the governmental fund.

Loans payable	<u>(101,983)</u>
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Net assets of governmental activities	<u>\$ 14,955</u>
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Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2005

	<u>Total</u>
REVENUES	
Taxes	\$ 15,457
Intergovernmental	139,866
Charges for services	34,358
Interest	5,562
Other	<u>98,928</u>
TOTAL REVENUES	294,171
EXPENDITURES	
Health and welfare	<u>371,795</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(77,624)
Fund balances, beginning of year	<u>194,562</u>
Fund balances, end of year	<u><u>\$ 116,938</u></u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2005

Net change in fund balance - governmental fund	\$ (77,624)
Amounts reported for governmental activities in the statement of activities are not different.	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ (77,624)</u></u>

Principals

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
of Sanilac County
Sandusky, Michigan

We have audited the basic financial statements of Sanilac County, Michigan as of and for the year ended December 31, 2005, and have issued our report thereon dated May 25 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanilac County, Michigan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We did note certain immaterial instances of noncompliance that we have reported to management of Sanilac County, Michigan, in a separate letter dated May 26, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanilac County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We did note other matters involving the internal control over financial reporting that we have reported to management of Sanilac County, Michigan, in a separate letter dated May 25, 2006.

This report is intended for the information of the County Board of Commissioners, management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 25, 2006

Principals

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MANAGEMENT LETTER

To the Board of Commissioners
of Sanilac County
Sandusky, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Sanilac County, Michigan for the year ended December 31, 2005. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The County should review the status of individual fund balances (deficits) near year-end.

As noted in the basic financial statements, the County had one fund (Health Department) that ended the year in an unreserved fund deficit position. As a result, the County will be required to submit a deficit reduction plan to the State of Michigan.

We suggest the County review the status of individual funds near year-end and make appropriate adjustments when possible to eliminate deficits. The County should also closely monitor operations of fund activities that are in danger of ending the year in a deficit.

2. The Sheriff Department's Inmate Trust bank accounts and general ledger balance does not reconcile to the subsidiary record of inmate balances.

During our analysis and testing of cash balances in the inmate trust bank accounts, it was noted that the bank and general ledger account balances did not reconcile to accounting software prisoner balance reports generated by the Sheriff Department. It was also noted that the reconciliations were completed on a six week cycle rather than on a monthly basis that would coincide with the bank cutoff dates.

We suggest the Sheriff and Treasurer's Departments reconcile the inmate trust bank and general ledger account balances on a monthly basis that coincides with the bank cutoff dates. The Sheriff Department should also review and revise if necessary the accounting software and/or procedures utilized to track inmate balances to assure that this information can be reconciled to the bank account reconciliations.

3. The Economic Development Corporation should assure that all bank accounts are reconciled to the general ledger.

During our analysis and testing of the bank reconciliations at year end, we noted that certain bank account balances did not reconcile to the general ledgers. Upon further analysis, we identified the most significant differences and made audit adjusting entries to correct the balances. There still remained some minor differences and also reconciling items that need further review. This is a repeat of a condition reported in the prior year management Letter.

We suggest the Economic Development Corporation review procedures related to recording cash and other transactions and also for reconciling bank accounts to assure that all transactions have been recorded accurately and that all cash amounts reconcile to the general ledgers.

4. The Economic Development Corporation should review certain receivable balances to assure the collectibility of the amounts.

During our analysis and testing of various receivable account balances, we noted that account balances included some amounts that are older and may no longer be collectible. This is a repeat of a condition reported in the prior year management letter.

We suggest the Economic Development Corporation review the receivable accounts detail and determine the collectibility of amounts. Uncollectible items should be taken to the Board to approve writing off the amounts.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements and this report does not affect our report on the basic financial statements dated May 25, 2006.

This report is intended solely for the use of management and the Board of Commissioners of Sanilac County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 25, 2006